



City of Palmer

Planning and Zoning Commission Packet

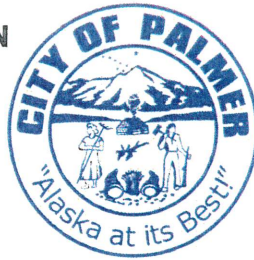
April 15, 2021





City of Palmer
Planning and Zoning Commission Packet
April 15, 2021





AGENDA

- A. Call to Order
- B. Roll Call
- C. Pledge of Allegiance
- D. Approval of Agenda
- P.5 E. Minutes of Previous Meetings
 - 1. Special Meeting of March 4, 2021
 - 2. Regular Meeting of March 18, 2021
- F. Reports
- G. Audience Participation
- H. Public Hearings
- I. Unfinished Business
- P.13 J. New Business
 - 1. A Committee of the Whole: Discussion of IM 21-002 regarding Community and Economic Analysis for evaluation of an Annexation petition (note: action may be taken by the Commission following the committee of the whole)
- P.167 K. Plat Reviews
 - 1. IM 21-011: Pre-application routing slip to create two lots from Lots 2, 3, 4, Block 1, Glacier View, Plat No. 96-27
 - P.183 2. IM 21-012: Pre-application routing slip to create three lots from Tax Parcel C24 (Parcel #1, MSB Waiver 71-107) in Section 32, Township 18 North, Range 2 East, Seward Meridian, located inside Palmer city limits
- L. Public Comments
- M. Commissioner Comments
- N. Adjournment

THIS PAGE LEFT INTENTIONALLY BLANK



Minutes

THIS PAGE LEFT INTENTIONALLY BLANK

**PLANNING & ZONING COMMISSION
CITY OF PALMER, ALASKA**

**SPECIAL MEETING
THURSDAY, MARCH 4, 2021
6:00 P.M. - COUNCIL CHAMBERS**

A. CALL TO ORDER:

The Special Meeting of the Planning and Zoning Commission was called to order by Chair Peterson at 6:00 p.m.

B. ROLL CALL:

Constituting a quorum, present in person were Commissioners:

Casey Peterson, Chair
Josh Tudor, Vice Chair (late arrival at 6:53 pm)
Linda Combs
Lisbeth Jackson

Present via Zoom video/teleconference were Commissioners:

Kristy Thom Bernier
Pamela Melin
Sabrina Shelton (late arrival at 6:59 pm)

Also present were:

Brad Hanson, Community Development Director
Nichole Degner, Community Development Specialist
Pam Whitehead, Recording Secretary (via teleconference)

C. PLEDGE OF ALLEGIANCE: The Pledge was performed.

D. APPROVAL OF AGENDA:

The agenda was unanimously approved, *as amended*, by roll call vote, revising the order of business for this and all future meetings, moving item L Staff Report to item F to be known as F *Reports*, followed by G *Audience Participation*, H *Public Hearings*, I *Unfinished Business*, J *New Business*, K *Plat Reviews*, L *Public Comments*, M *Commissioner Comments*, and N *Adjournment*. There were no objections.

[Thom-Bernier, Melin, Jackson, Combs, Peterson (Tudor, Shelton not yet present)]

E. MINUTES OF PREVIOUS MEETING:

The minutes of the **January 21, 2021 Regular Meeting** and minutes of the **February 18, 2021 Postponement to March 4, 2021** were unanimously approved as presented.

[Thom-Bernier, Melin, Jackson, Combs, Peterson (Tudor, Shelton not yet present)]

F. REPORTS:

Director Hanson:

- Reported that the City Council adopted the Central Business District and all amendments to the Commercial District.

G. AUDIENCE PARTICIPATION:

Noel Kopperud, Palmer resident/property owner, submitted comments *via email* Memorandum dated March 3, 2021, expressing concerns on the proposed Green Acres Subdivision Master Plan (Case #2021-006), primarily relating to water surface drainage.

(Ms. Degner read Mr. Kopperud's email in its entirety into the record.)

H. PUBLIC HEARINGS:

1. **IM 21-001:** Amending Palmer Municipal Code Chapter 17.32 to allow retail marijuana as a permitted use and amend 17.36 and 17.57 to allow marijuana cultivation, testing and manufacturing as a permitted use.

Staff Report: Director Hanson summarized the current status of the proposed text amendment. Under review are Ordinance No. 21-0XX Enacting standards for marijuana businesses, Draft CC Ordinance No. 21-0XX, and Chapter 7 of 3 AAC 306 Regulations for the Marijuana Control Board. The recommendation for adoption to the City Council is one of the necessary steps to implementing the ballot proposition; other considerations are taxation and licensing or permitting requirements. The Commission is to review and if approved, move forward to the City Council recommending adoption.

Public Hearing:

Chair Peterson opened the hearing for public testimony.

Stephanie Allen, Palmer resident, *via email*, submitted testimony regarding IM 21-001, noting agreement with prohibition of on-site consumption, raising concerns about cancer-causing substances and toxins in second-hand marijuana smoke, and asked the Commission to consider revising the buffer zones for all marijuana businesses to 1000 feet.

(Ms. Degner read Ms. Allen’s email in its entirety into the record.)

There being no others to testify, the public hearing was closed and the matter brought back before the Commission.

Chair Peterson called for a motion to put the matter on the table for discussion:

Main Motion: For adoption of IM 21-001, amending PMC 17.32 to allow retail marijuana as a permitted use and amending 17.36 and 17.57 to allow marijuana cultivation, testing and manufacturing.

Moved by:	Jackson
Seconded by:	Melin

Commission discussion topics:

- Whether to allow in the Central Business District;
- Director Hanson responded to Commissioner questions providing clarification on some of the issues and definitions;

Primary Amendment: To amend the Ordinance to allow marijuana retail establishments within the Central Business District (CBD).

Moved by:	Melin
Seconded by:	Jackson

[Commissioner Tudor joined the meeting at 6:53 p.m.]

Discussion on the amendment:

- Commissioner Combs spoke to concerns relayed to her by many of the business owners located within the Central Business District, noting they appreciate the CBD for many reasons, but they *are*

- *not* in favor of retail marijuana establishments within the CBD.
- Commissioner Melin also had concerns about allowing retail marijuana within the CBD; that it would be better received if it were in the Commercial District.
- Commissioner Jackson spoke to the will of the people when they voted to allow marijuana shops in downtown Palmer where other retail shops are located.
- Chair Peterson noted he feels strongly in agreement with Commissioner Jackson, comparing it to bars being allowed downtown; that when the people voted, they weren't considering sections of Palmer to be excluded.
- Commissioner Tudor spoke in agreement to allow downtown as well as the CBD.

[Commissioner Shelton joined the meeting at 6:59 p.m.]

Director Hanson suggested an additional amendment to incorporate 17.28 Commercial Land Use Matrix, explaining that at the time this ordinance was written, the Council had not yet passed the Land Use Matrix; it has since passed and should now be incorporated into Section 8 of this ordinance.

Amendment to Primary Amendment: To also incorporate into Section 8, marijuana retail into 17.28, Commercial Land Use Matrix.

Moved by:	Combs
Seconded by:	Shelton
Vote:	Unanimous
Action:	Motion Carried by roll call vote.

Discussion continued:

- Commissioner Shelton, although personally would want to limit it to outside the CBD, she will defer to the wishes of the community as a whole because of the majority vote to allow retail marijuana within the City.
- Commissioner Thom Bernier reported that quite a few businesses reached out to her recently with concerns about marijuana retail businesses on our main street; noted she appreciated Stephanie Allen's comments requesting alternate locations for the retail establishments and expanding the buffer to 1000 feet; spoke in appreciation of the concerns of the local downtown long-time Palmer business owners and she shares those concerns, that Industrial or other areas would be better suited; also spoke raising concerns about marijuana signage.

Vote on Amendment as Amended (to allow within the CBD):

Moved by:	[Melin]
Seconded by:	[Jackson]
Vote:	4 Yes (Peterson, Jackson, Shelton, Tudor) 3 No (Combs, Melin, Thom Bernier)
Action:	Motion Carried by roll call vote.

Vote on Main Motion for Adoption of IM 21-001, As Amended:

Moved by:	[Jackson]
Seconded by:	[Melin]
Vote:	4 Yes (Peterson, Jackson, Shelton, Tudor) 3 No (Combs, Melin, Thom Bernier)
Action:	Motion Carried by roll call vote.

I. UNFINISHED BUSINESS: None.

J. NEW BUSINESS: None.

K. PLAT REVIEWS:

1. **IM 21-007:** Pre-application request to create 35 lots by a three-phase master plan from Tax Parcel C30 to be known as Green Acres Master Plan.

Staff Report: Director Hanson reported comments were due to the Borough on February 11, 2021; that staff comments have already been submitted, which included:

- Subdivision Agreement has to be reached between the City and the Petitioner prior to any construction;
- There were also some drainage issues that were cited by Public Works.

Commissioner Comments:

- Commissioner Melin, who lives on Felton, commented the neighborhood has a number of concerns including depreciation of home values, the volume of traffic and speeds on Felton.
 - Commissioner Tudor added he also has heard a lot of negative feedback in the neighborhood against this subdivision expansion primarily because of the lot sizes.
 - Commissioner Melin read an email received from Noel Kopperud addressed to the Members of the Palmer Planning & Zoning Commission, dated March 3, 2021, expressing concerns regarding the Proposed Green Acres Subdivision Master Plan in its entirety, concerning potential overflow of water drainage onto his property.
 - Commissioner Jackson commented on how small the lots were compared to the surrounding areas but it should be approved if meets what is legal.
 - Director Hanson explained it is the Borough that has the Platting Authority; that the Commission only reviews and submits comments, that the Subdivision Agreement addressing the issues is the next step;
 - Commissioner Combs further explained the process addressing some of the issues.
 - Commissioner Tudor confirmed he heard the Borough approved the platting this morning.
2. **IM 21-008:** Pre-application request to create 83 lots and two open space tracts by a five-phase Master Plan, from Tract J, Cedar Hills Unit #2, Phase 1, Plat No. 2000-66 and Tracts 1, 2, & 3, Cedar Hill Unit #2, Phase 1, Plat No. 2017-15, to be known as Cedar Park Master Plan, containing approximately 90.2 acres.

Chair Peterson suspended formal rules to allow public comment. There were no objections.

Connie Yoshimura, owner of Cedar Hills Subdivision, addressed the Commission to provide additional information regarding the Proposed 83 Large Lot Subdivision with variances. She has been a residential land developer for over 30 years in Anchorage and has been an investor in Cedar Hills Subdivision for over 20 years and is currently the sole owner of Cedar Park, LLC consisting of 89 acres plus an R-2 tract of approximately 10 acres. Ms. Yoshimura described the details of the proposed Cedar Park development including the variances requested and provided a spiral booklet to the Commission containing the content of her presentation. Gary LoRusso, assisted in the presentation.

Staff Report: Director Hanson complimented the presenters on the fantastic job describing the

development and reported the current status of the process with respect to the City. The Subdivision Agreement along with the variance requests will be going before the City Council.

Commission Comments:

- Commissioners Jackson and Melin spoke in appreciation of the presentation;
- The presenters responded to questions regarding well and septic and timeline.

L. PUBLIC COMMENTS: None.

M. COMMISSIONER COMMENTS:

Commissioner Melin:

- Spoke on the topic of public comments encouraging that they be made to the Commission as a whole as opposed to through individual commissioners. She was hoping to hear more public input tonight on the issues, that perhaps there might be a better way to promote public comment.

Commissioner Tudor:

- Apologized for being late tonight.

N. ADJOURNMENT:

There being no further business, the meeting adjourned without objection at 8:09 p.m.

APPROVED by the Planning and Zoning Commission this ____ day of April, 2021.

Casey Peterson, Chair

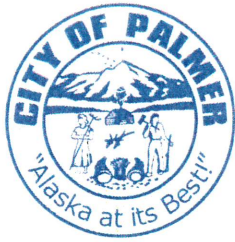
Brad Hanson, Community Development Director

THIS PAGE LEFT INTENTIONALLY BLANK



New Business

THIS PAGE LEFT INTENTIONALLY BLANK



**CITY OF PALMER
PLANNING & ZONING COMMISSION
INFORMATION MEMORANDUM 21-002**

SUBJECT: Annexation

AGENDA OF: January 21, 2021
April 15, 2021

ACTION: Review and comment

Attachment(s): 1) Annexation Attachments

Summary: April 15, 2021 Agenda:
Agnew::Beck is wrapping up there work on Community and Economic Analysis for the Preparation of an Annexation Petition. This draft report is being presented to City Council at the April 13 meeting. Once council has the opportunity to comment on the Draft Report it will become final and the Professional Service Contract will have been fulfilled.

A Committee of the Whole: Discussion of IM 21-002 regarding Community and Economic Analysis for evaluation of an Annexation petition (note: action may be taken by the Commission following the committee of the whole)

City Council has set annexation as a priority for future community growth and development. During 2020 budget deliberations City Council appropriated \$125,000 for a community and economic analysis to understand the impacts of annexation. The City believes that annexation is a legitimate tool to guide growth and conserve the quality of community life in Palmer. It is clear from past proposals "Greater Palmer" has concerns about potential impacts that need to be addressed during a community discussion about annexation. A clear, concise approach to annexation is necessary so current and future residents understand motives, standards and the legislative process necessary to achieve a successful annexation.

For the 2020 community and economic analysis Agnew::Beck was selected to conduct the analysis. Their mission is to analyze the fiscal impact to the city of proposed annexation areas and to engage residents to reconcile the values of Palmer residents and greater Palmer residents.

Recommendation: Provide comments where necessary should further action be requested.

THIS PAGE LEFT INTENTIONALLY BLANK



Community and Economic Analysis

For the Preparation of an Annexation Petition

Prepared for The City of Palmer, Alaska

March 2021 *DRAFT*

Agnew::Beck Consulting

Halcyon Consulting, Inc.

Alaska Map Company



[This page is intentionally blank.]

Overview and Executive Summary

Purpose

The purpose of this Community and Economic (i.e., Fiscal) Analysis is to provide a solid analytical foundation that will inform the preparation of a future annexation strategy and petition for the City of Palmer, should the City decide to pursue annexation. Annexation is an important tool for the City to use as way to promote orderly growth, development and expansion of essential services for the health, safety and welfare of the greater Palmer community. Communities often annex land for three main reasons.

1. **Fiscal:** A local government may consider annexation when can provide services more efficiently to annexed areas. New revenues must be balanced with additional costs.
2. **Future:** A local government may consider annexation to support economic development efforts, to provide space within its boundaries for new housing and/or for new businesses and expansions.
3. **Governance:** A local government may consider annexation to maximize local control. It may expand where services can be provided and where local tools like land use districts can be applied. Annexation may also be considered to give residents who currently live outside city limits a direct say in local issues that impact them.

The annexation process involves identifying land areas to be annexed, drawing up a formal petition to annex those areas, and submitting the petition to the Local Boundary Commission (LBC). The LBC uses a set of objective criteria to evaluate whether the annexation meets regulatory guidelines and weighs the annexation petition against public and local government testimony (written and verbal) during a review process that can take several months to over a year.

Before an annexation petition is brought to the LBC, the local government submitting the annexation petition must show that it has the capacity and resources to extend services and governance to the annexed areas. The fiscal analysis of this study could serve in this capacity to support future petitions in that it provides estimates for the staffing, equipment, capital improvements and costs to extend services and governance to a number of study areas around existing boundaries. If the City were to prepare an annexation petition for a land area with different boundaries than any of the study areas in this report, or if the annexation petition happens some years in future, the fiscal analysis would be updated to reflect the dollar values and geographic boundaries of the annexation petition at that time.

That said, the City of Palmer is going beyond analyzing fiscal dynamics to understand the lifestyles and values of the residents and business operations located outside existing City limits. Ideally, an annexation will be generally supported in the areas to be annexed as well as within the City. The community analysis part of this study provides the City with information about current community sentiment about annexation, with recommendations and clarifications to help inform any future discussions with neighbors about annexation. If the City brings a future annexation petition forward, this study provides some information about where and how that understanding and support can most likely to be built.

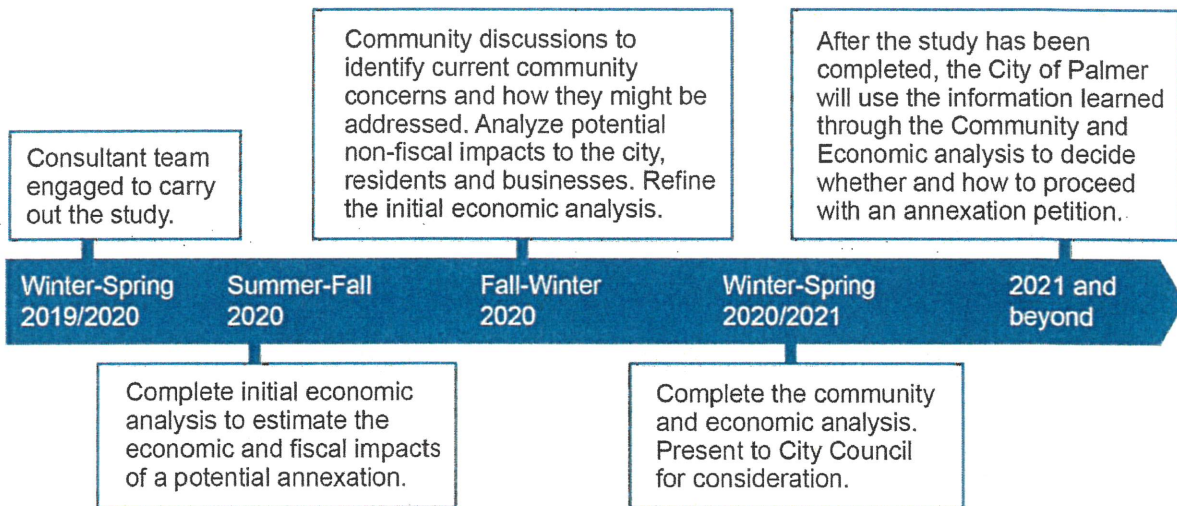
Process

The analysis estimates the likely fiscal (i.e., economic) and potential community effects of annexation on a set of study areas that include lands outside of the City of Palmer. The analysis is guided by the City of Palmer's broad goals for annexation, as articulated in the City of Palmer Annexation Strategy (Agnew::Beck et al, 2010):

- To promote orderly, high quality development and the cost-effective extension of services where and when warranted.
- To sustain a desirable quality of life in and around Palmer.
- To ensure a sustainable tax base along with long-term economic viability, fiscal health and natural environment in Palmer.

The project's process defines geographic boundaries of potential annexation areas (also called study areas), which allow the study to provide estimated changes in city service provision, revenues and expenses for the fiscal analysis. The delineation of a study area does not mean the area is recommended for annexation by the consulting team or by the City. Instead, these areas provide the analytical framework for the analysis. Areas may be accepted, rejected, or adjusted before they are part of any proposal or petition in the future.

Project Timeline



The study also analyzes community attitudes about annexation and its potential impacts. Where community members have identified specific concerns about annexation, either generally or specific to certain land uses, the study identifies potential ways the City can proactively address these concerns before putting forth an annexation petition.

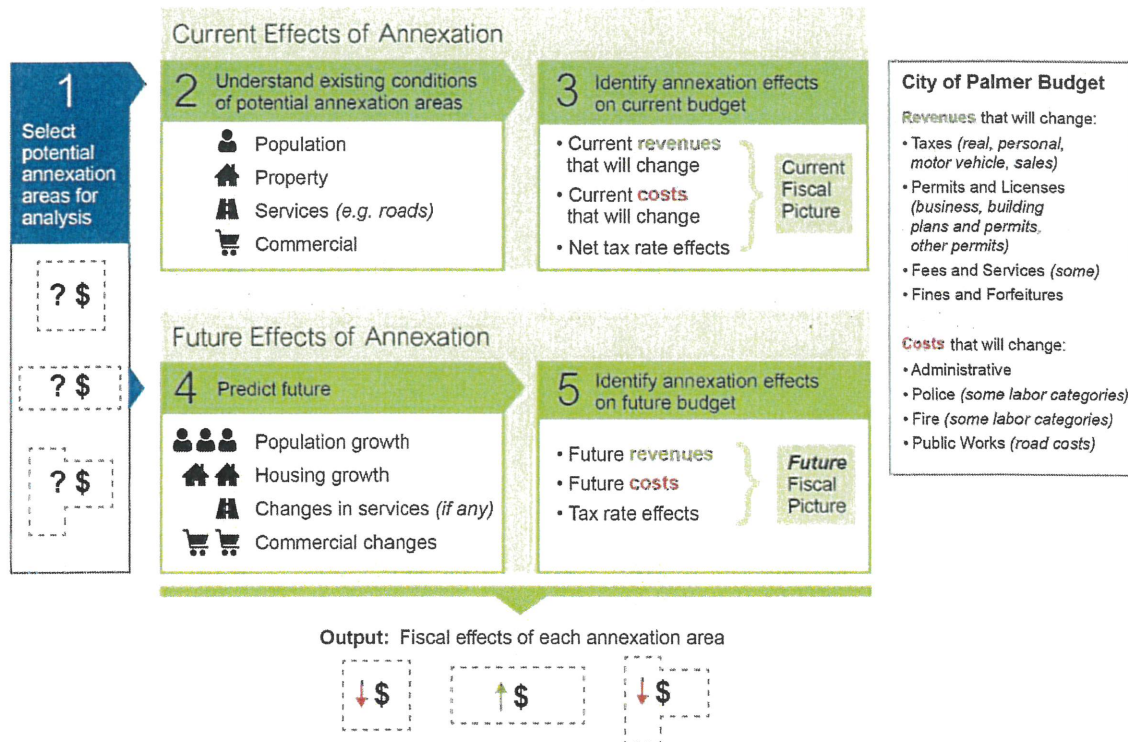
This approach of working with the greater community to understand and proactively address concerns as well as obtain the information needed to make wise decisions about where and when to annex territory in future furthers the City's commitment to a transparent and public process and serving its constituency to the best of its ability.

Fiscal Effects of Annexation

The project team worked with the City to identify a set of study areas for the analysis. These geographic boundaries simply provide guidance for the fiscal modeling. Each of the study areas has more or less similar land use. For the purposes of doing the study, it makes sense to look at a variety of different areas with different characteristics. That way, we can fully understand the range of community issues and fiscal effects that an annexation would have.

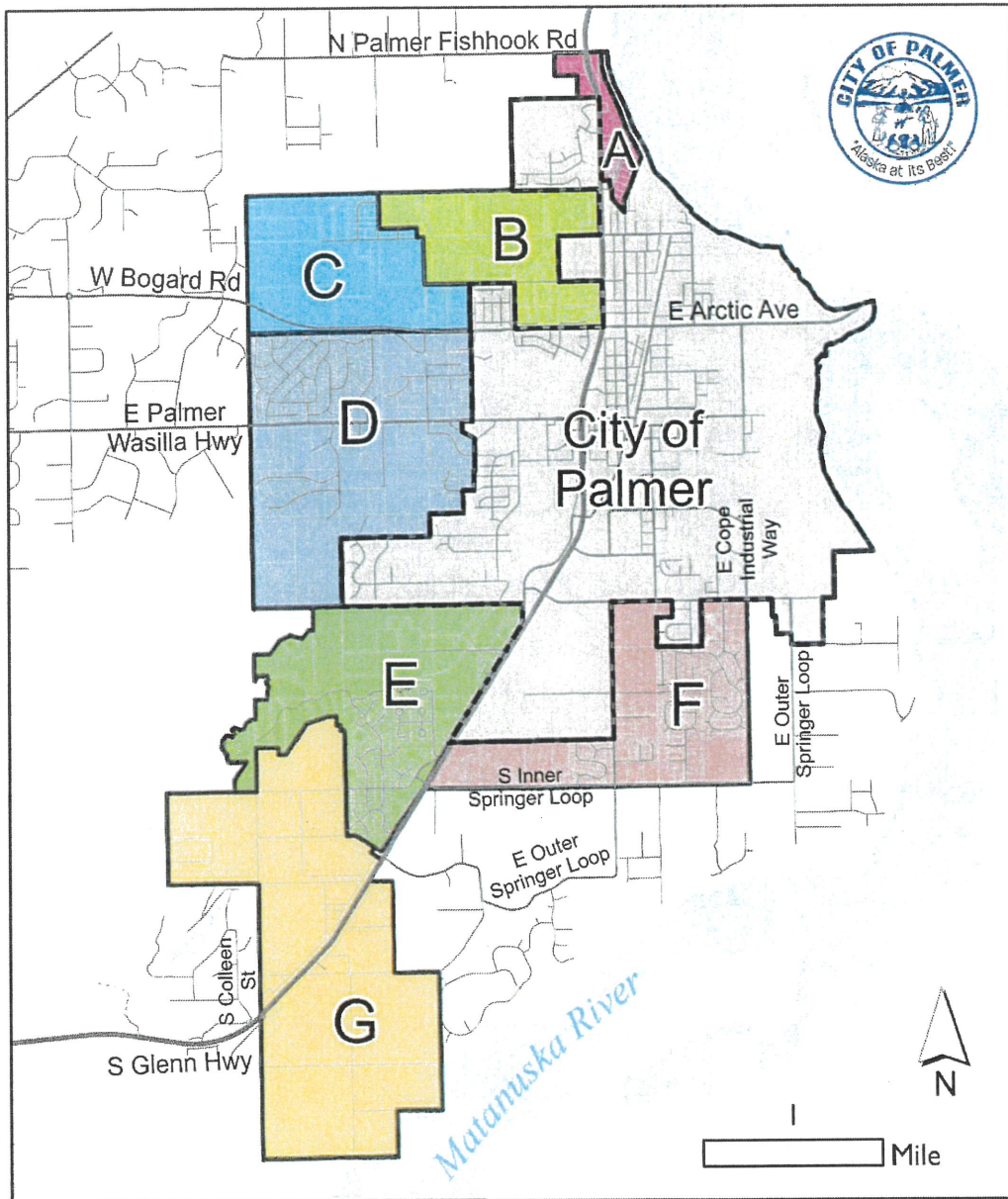
The project team then worked with City staff to estimate the amount of staff, equipment, capital improvements (e.g., buildings) and consequent funding needed to extend services to each of the study areas and the all of the study areas as a whole, both in terms of general operating costs and capital investments. This information was used to build a fiscal model that shows current city revenues and costs as well as the revenues and costs that it would experience if each of the study areas (and all the study areas as a whole) were annexed into the City in 2020. The team applied some assumptions about how the general Palmer area might develop in terms of population and land use over the next 10 years to the model and produced a set of 2030 projections. These help us understand the longer-term fiscal effects of the hypothetical annexations.

Fiscal Analysis Methodology



By expanding its boundaries, a municipality increases its citizenry and often its tax base. The costs of providing municipal governance and services would be spread among more people, which could lower the taxes a given individual would pay. However, the benefits of an expanded tax base must be balanced against the costs of providing governance and services to the annexed areas. If the costs outweigh the revenue potential of the annexed areas, taxes may need to be increased and the rationale for a successful annexation would rest more heavily on other community goals, such as protecting the health and safety of community members through the extension of municipal governance, regulation and/or services.

Study Areas Map



City of Palmer
2020 Annexation Study

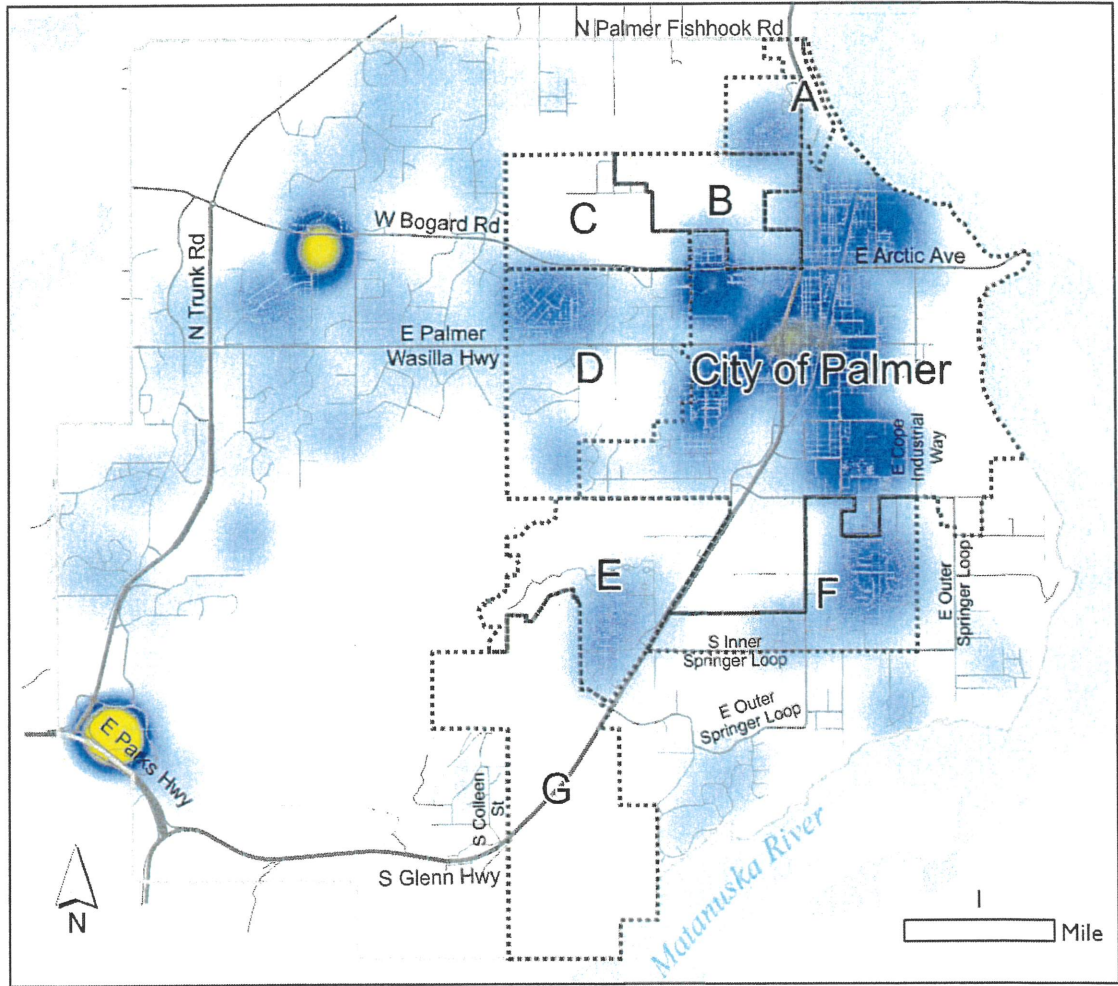
Date: 3/19/2021 12:40 PM
 Source Data:
 Matanuska Susitna Borough GIS

Study Areas

- A
- B
- C
- D
- E
- F
- G
- Palmer City Limits

The fiscal analysis found that Palmer's existing boundaries are already optimized for property and sales tax revenue. Any annexation of the land adjacent to existing city boundaries would not be a "land grab" in order to increase tax revenue. The net fiscal effects range from a small net positive (meaning that an annexation could spread the costs of city services enough to allow a slight reduction in taxes), to essentially neutral (meaning that the City could absorb a limited land area in less populated areas and extend city services and governance without having to adjust taxes at all) to a net negative (meaning that the City would have to raise taxes to pay for the increase in services).

Heat Map of Property Values, Taxable and Non-Taxable

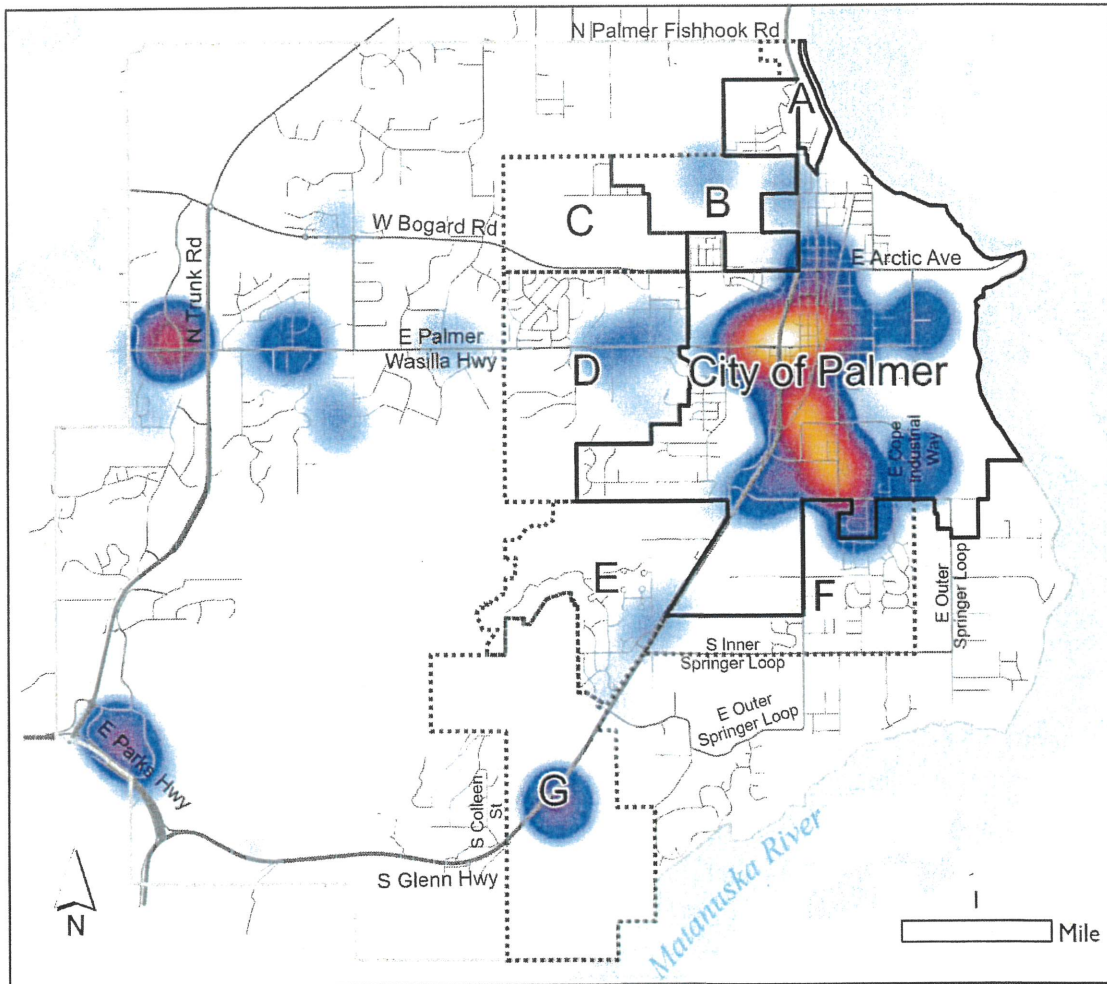


City of Palmer
2020 Annexation Study
 Date: 3/19/2021 11:22 AM
 Source Data: Matanuska Susitna Borough GIS

2020 Total Assessed Value
 Sparse
 Dense



Heat Map of Commercial Activity



City of Palmer
2020 Annexation Study

Date: 1/21/2021 2:37 PM
Source Data: Matanuska Susitna Borough GIS,
Data Axle USA

Sales Volume 2020



To quantify the tax changes that would be needed to balance the City budget upon annexation, the study looked at adjustments to sales tax only (assuming property tax stays the same) and adjustments to property tax only (with sales tax staying the same). The sales tax effect ranged from a potential *decrease* in sales taxes of \$0.37 on every \$1,000 of spending (with no change in property tax) if Study Area B were annexed in 2020 to a potential *increase* in sales taxes of \$2.02 on every \$1,000 of spending (again, with no change in property tax) if all study areas were annexed in 2020. The property tax effect ranged from a potential *decrease* in property taxes of \$70-80 on a \$250,000 home (with no change in sales tax) if Study Area B were annexed in 2020 to a potential *increase* in property taxes of \$430 on a \$250,000 home (again, with no change in sales tax) if Study Area F were annexed in 2020.

These results show that annexing Study Area B could slightly reduce the amount of tax paid by each taxpayer within the City. This is because Study Area B has some commercial activity but few residential properties that require more City services. On the other extreme, Study Area F has the densest

residential neighborhoods in the greater Palmer area and little commercial activity, although it the homes do have property value that could contribute through property taxes. If the City were to annex all study areas, the commercial activity in some would balance somewhat the costs of providing services to residential neighborhoods, resulting in a lower tax increase than annexing Study Area F alone, but still a net increase in taxes to balance the City budget.

Net Fiscal Effects by Annexation Scenario

Annexation Scenario	Operating Costs			Capital Costs		Net Annual Operating and Capital Repayment Fiscal Effect (\$)
	Est. Annual Revenues (\$)	Est. Annual Costs (\$)	Net Operating Fiscal Effect (\$)	Est. Initial Capital Costs (\$)	Annual Debt Repayment (\$)	
Area A Only	26,000	36,000	-10,000	0	0	-10,000
Area B Only	187,000	48,000	139,000	0	0	139,000
Area C Only	46,000	68,000	-22,000	0	0	-22,000
Area D Only	997,000	1,457,000	-460,000	3,085,000	-265,000	-725,000
Area E Only	626,000	1,175,000	-549,000	3,085,000	-265,000	-814,000
Area F Only	656,000	1,380,000	-724,000	3,085,000	-265,000	-989,000
Areas E+G	1,176,000	1,189,000	-13,000	3,930,000	-337,000	-350,000
All Study Areas	3,087,000	3,535,000	-448,000	5,465,000	-469,000	-917,000

Budget-Balancing Tax Rate Changes

Annexation Scenario	All Property Tax Approach			All Sales Tax Approach	
	Mil Rate Change Required to Balance Budget (3 mils + ...)	Annual Cost to Owner of \$250,000 in Property (City of Palmer, \$)	Annual Cost to Owner of \$250,000 in Property (Annexed Area, \$)	Sales Tax Rate Change Required to Balance Budget (3%+ ...)	Effect per \$1,000 of Commercial Activity at Non-Exempt Businesses (\$)
Area A Only	0.02	5	3	0.004	0.03
Area B Only	-0.29	-70	-80	-0.055	-0.37
Area C Only	0.05	10	10	0.009	0.06
Area D Only	1.21	300	300	0.285	1.90
Area E Only	1.54	390	380	0.316	2.10
Area F Only	1.73	430	430	0.391	2.60
Areas E+G	0.66	160	160	0.127	0.85
All Study Areas	1.18	290	290	0.302	2.02

Looking to the future, the study finds that annexation of most areas studied in this analysis would still result in net negative annual fiscal effects in the year 2030. Looking at individual study areas, the model projects that in Study Areas A, B, C and E, fiscal gaps would start to close as the population increases and the City realizes economies of scale. However, the analysis projects that the net fiscal effects of annexation will worsen in Study Areas D, F and G, where tax resources are not expected to catch up with the costs of service provision.

2030 Projections: Change in Net Fiscal Effects by Annexation Scenario

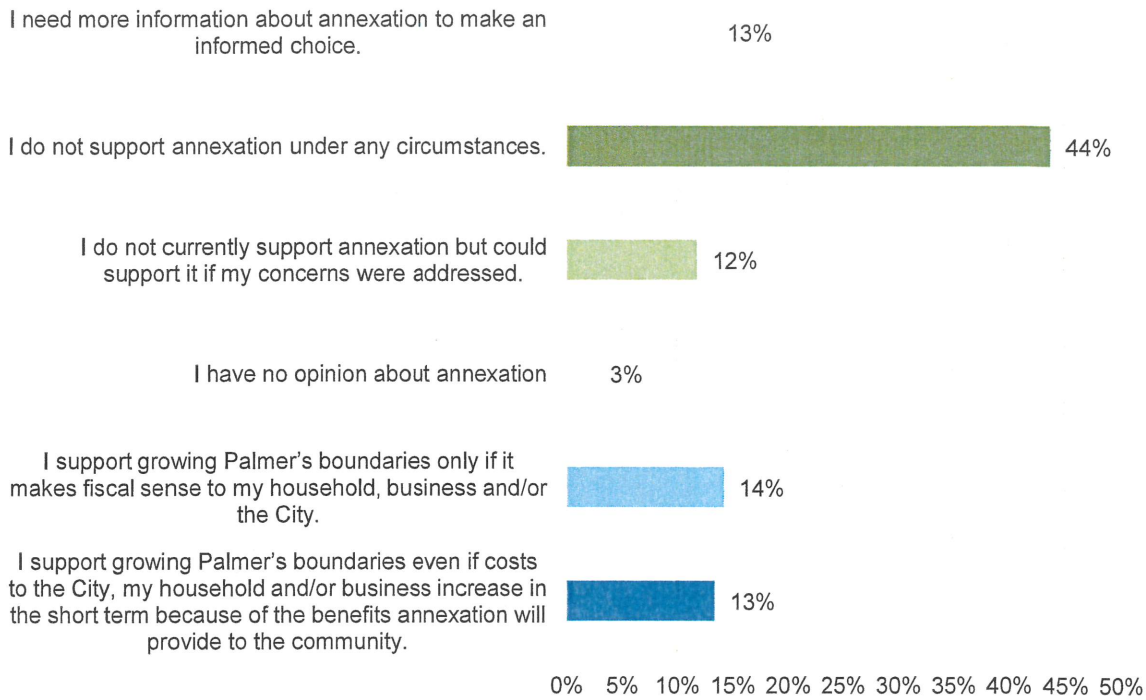
Annexation Scenario	2030 Environment Changes				2030 Fiscal Changes			Change in Net Fiscal Effect 2020-2030
	New Population	New Housing Units	New Property Tax (\$)	New Sales Tax (\$)	Revenue Change (\$)	Operating Cost Change (\$)	Capital Cost Change	
Area A Only	10	4	1,000	5,000	8,000	5,000	0	3,000
Area B Only	39	15	9,000	48,000	62,000	18,000	0	44,000
Area C Only	39	15	11,000	4,000	19,000	17,000	0	2,000
Area D Only	103	40	33,000	129,000	176,000	224,000	14,500	-62,500
Area E Only	221	86	53,000	95,000	169,000	127,000	0	42,000
Area F Only	214	83	53,000	52,000	133,000	389,000	14,500	-270,500
Areas E+G	224	87	51,000	250,000	-93,000	128,000	0	-221,000
All Study Areas	630	244	159,000	488,000	306,000	387,000	14,500	-95,500

In purely fiscal terms, these findings led the project team to recommend an annexation strategy that either takes a modest approach of annexing smaller area(s) over time that have little to no effect on City budget and operations, or to annex a large enough area that the annexation would include areas of higher taxable potential (usually commercial areas) to help balance the costs of areas with lower taxable potential and higher service needs (primarily residential neighborhoods).

Community Considerations

This study represents the very beginning of conversations by the City of Palmer with neighbors in the area about the possibilities of annexation. Community outreach was done during the COVID-19 pandemic. To ensure safety, outreach was conducted through an online survey, web meetings, interviews/focus group conversations, online presentations (e.g., to the Palmer Chamber of Commerce), email and phone conversations with concerned citizens and neighbors inside and outside existing City boundaries. Results show that there is a wide range of opinion about whether the city should annex land from people inside and outside city boundaries. The majority of those who shared their thoughts do not support annexation at this time; some do support annexation, and some need more information.

General Level of Support for Annexation



Resident Support for Annexation

	Live in City		Live in Study Area		Live Outside SA & City		All Residents	
Response indicated a lack of support	17	17%	244	67%	76	54%	337	56%
No Opinion, Need More Info, or None of the above	21	21%	62	17%	19	14%	102	17%
Response indicated possible support	61	62%	56	15%	45	32%	162	27%
Total	99	100%	362	100%	140	100%	601	100%

Resident Support for Annexation by Study Area

Study Area	Total Resident Respondents	# Support Annexation	% Support Annexation
Study Area A	7	3	43%
Study Area B	6	0	0%
Study Area C	14	1	7%
Study Area D	80	15	19%
Study Area E	98	15	15%
Study Area F	153	19	12%
Study Area G	7	3	43%

Business Owner Support for Annexation

	Own Business in City		Own Business in Study Area		Own Business Outside Study Area and City		All Business	
Response indicated a lack of support	20	39%	53	74%	31	62%	104	60%
No Opinion, Need More Info, or None of the above	9	18%	11	15%	3	6%	23	13%
Response indicated possible support	22	43%	8	11%	16	32%	46	27%
Total	51	100%	72	100%	50	100%	173	100%

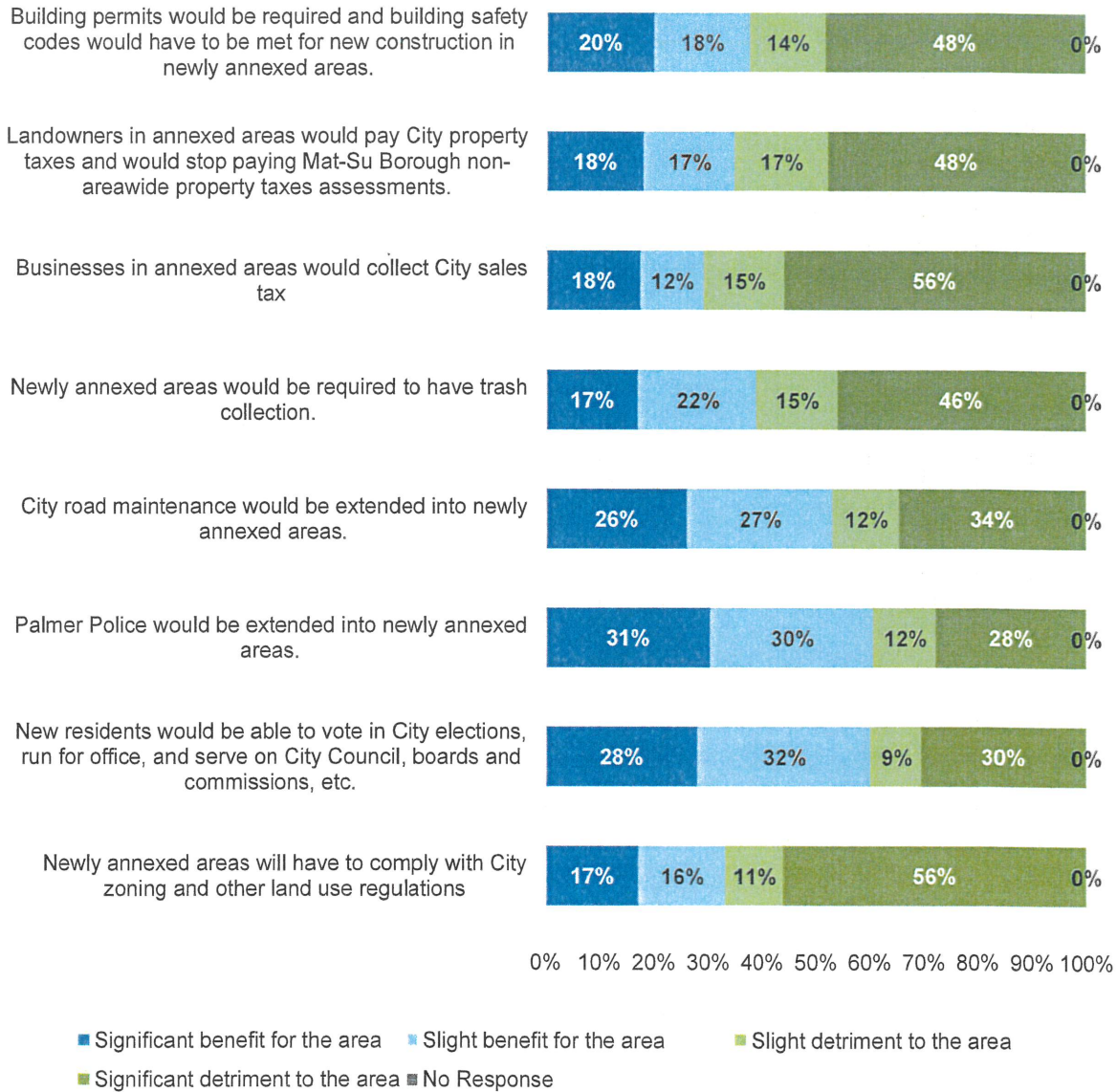
When asked an open-ended question about the perceived benefits of annexation, 51 percent of all respondents indicated they saw no benefits to annexation. Positive responses (18 percent of total responses) reflected the themes below:

- Access to or improved City services, generally
- Access to specific services: police, water and sewer, road maintenance and streetlights, staffed fire station, bike paths
- Attracting businesses and families
- Everyone in the area living by the same rules
- Less confusion about city boundaries
- Lifestyle preferences
- More opportunities for input on future planning and growth
- Possibility of increased City revenue and/or broader tax base
- Possibility of new jobs at City and area businesses
- Representation in City government
- Zoning and land use regulations, with more controls than under current Borough codes

Neutral responses addressed themes like the need for more information or mixed views about benefits when weighed against challenges or applied to the area the respondent was most familiar with.

Community Fiscal Concerns: In open-ended responses, five percent of all survey respondents noted positive impacts to the City’s revenues and/or tax base as a benefit of annexation, and nearly 30 percent of all respondents indicated that city taxes and fees would be a concern. 65 percent of survey respondents viewed City property tax as a detriment, primarily concerned about possible increases in property taxes. 71 percent of survey respondents viewed City sales tax as a detriment, including residents who limit their spending overall and particularly do not want to pay sales tax on locally grown food. Business respondents voiced concern that having to collect city sales tax and the online sales tax would hurt their business because their competition does not have to charge sales taxes to customers.

Level of Perceived Benefit/Challenge for Specific Topics, All Respondents



Planning and Growth Management: Public outreach revealed very mixed viewpoints about the planning and growth management aspects of annexation. Some view annexation and the City’s ability to do land use planning as the key to growth for Palmer, attracting businesses and families, opening more economic opportunities and allowing the community to develop with assurances of zoning control to avoid incompatible uses and maintain the small-town feel of the area. Others expressed concerns that annexation would encourage growth and, with it, crime, high density housing without the infrastructure to support it, traffic, and unwanted levels of commercial development. Several commented on the importance of maintaining Palmer’s small town feel and protecting farmland. Some respondents expressed general opposition to zoning and other land use regulations (67 percent of survey respondents viewed City zoning and land use regulations as a detriment), while others voiced the desire for greater enforcement of existing city regulations inside the City. Responses indicate that people generally want to

be able to keep doing what they have been doing with their land; many expressed support for grandfathering existing land uses in any annexed territory. 62 percent of survey respondents viewed City building codes, permits and inspections as a detriment, some expressing concerns about the costs associated with code compliance and permitting. Suggestions reflected a desire for the City to be more flexible or not require these for structures like sheds, decks, storage buildings, fences, etc.

Overall, the Palmer-area community has mixed views about City services. Some city services seen as a benefit; others prefer their existing services or expressed concern about the City's ability to extend services to a large area. In total, if all the study areas were annexed, it would effectively increase the City's population by 58 percent, making Palmer the fourth largest city and the twelfth largest organized municipality by population in Alaska.

Police: Palmer police was identified as a benefit of a potential annexation by 61 percent of survey respondents. Some area residents want access to police services to receive a more rapid response from law enforcement officers, while others prefer the Alaska State Troopers. A few respondents also voiced concerns about the expense of expanding the City's police force and about the City's ability to find qualified people to hire for the new positions and to pay them a competitive salary.

Road Maintenance: Palmer road maintenance was identified as a benefit of a potential annexation by 53 percent of survey respondents. Some area residents view potential annexation benefits to include road maintenance and improvements, particularly streetlights in some neighborhoods. Other respondents do not want City road maintenance, nor do they want to pay for it. Some of these responses specifically mentioned concerns about the City's ability to provide adequate snow removal and to find people willing to accept any new maintenance positions unless it raises salaries and wages for the positions.

Garbage Collection: The City's existing policy to require garbage collection service was considered a detriment by 61 percent of survey respondents. In the study areas, respondents generally want to be able to choose how their garbage is dealt with, whether hauling their own trash, contracting with the City or a provider of their choice, rather than being told by regulation how to manage their waste.

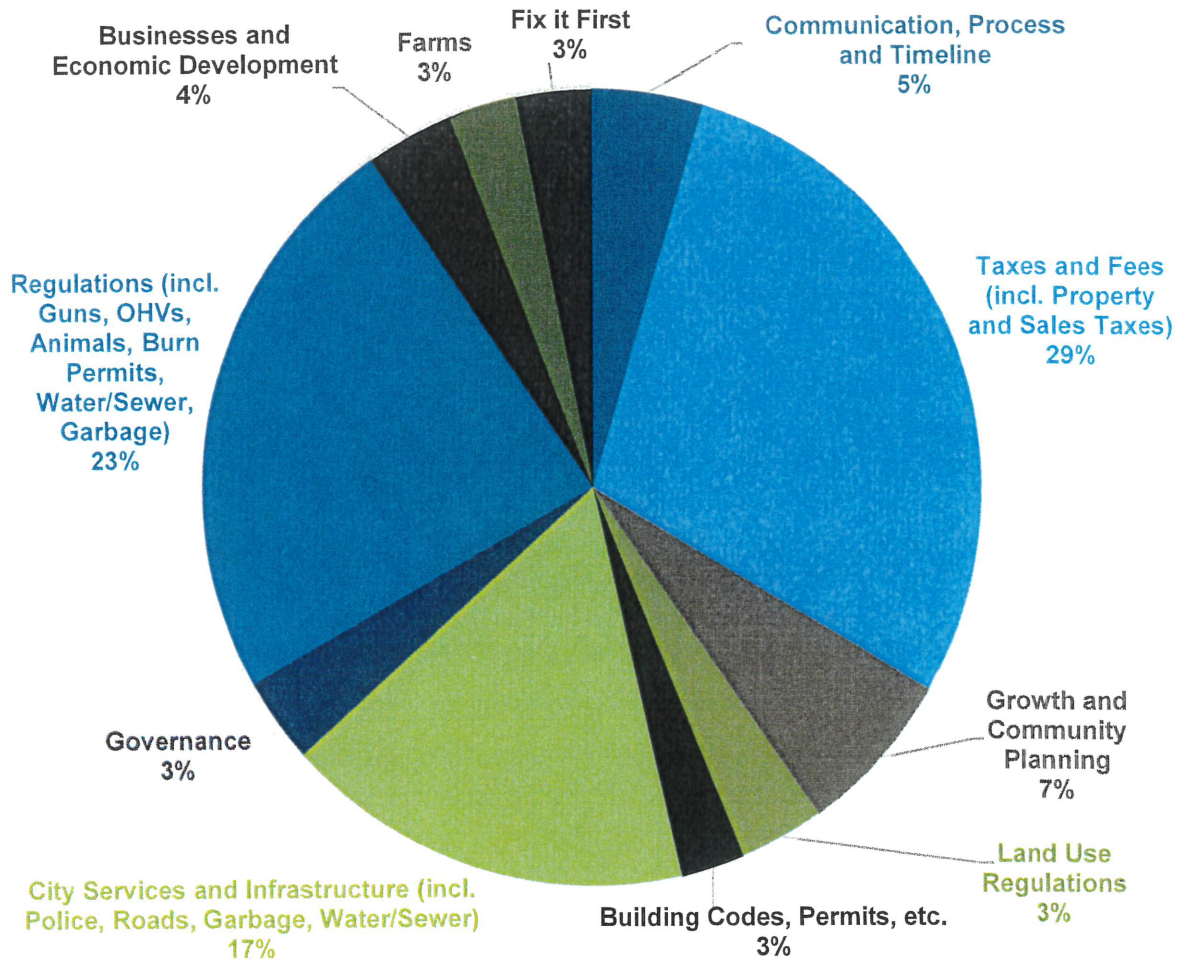
Other Services: Some open-ended responses indicated that if annexation resulted in faster fire and emergency response or staffed fire stations in their area, that would be considered a benefit. Responses showed mixed attitudes toward City water and sewer, which ranged from piped water and sewer being the only thing they would want out of an annexation to objections to the idea that they might have to hook up to City water and sewer when they already have functioning well and septic systems.

Governance: Some area residents see benefits to annexation from having more of a voice in local government, a wider pool of eligible candidates to run for public office, and potentially a more involved voter base. 60 percent of survey respondents view the ability to vote, run for City offices, and/or serve on Palmer City Council, boards and commissions as a benefit of a potential annexation. The fiscal study shows that many people in the study areas are already paying for Palmer City government through sales tax, but do not have representation.

Regulations: Lifestyle differences between areas inside City and outside the City limits were reflected in community comments about the City's regulations. Only two percent of all survey responses mentioned regulations as benefits in open-ended questions, whereas 29 percent mentioned regulations as concerns. As benefits, responses mentioned land use and/or building regulations as a way to manage growth and protect Palmer's small-town character. A few responses mentioned a sense of everyone following the same rules as a benefit, especially for code compliance or simplifying law enforcement. The main concerns about city regulations stated a general desire to minimize any governmental rules, the desire to use firearms and off-road vehicles; burn trash, have fire pits and set off fireworks on their property; and

keep a variety of animals on their land. Many responses suggested grandfathering or making regulatory allowances to retain existing lifestyles and businesses.

Areas of Concern, All Respondents



Communication and the need for more (or more accurate) information were strong themes in the public outreach activities. Around 15 percent of survey responses and other public outreach activities reflected a desire for more information in order to have an opinion about annexation. A number of survey responses also suggested the City improve existing service provision before making an annexation petition. Some of these concerns could be due to misunderstanding about where City boundaries are, how the City operates and the limits of what it can do. These concerns may also provide useful direction for the City about where to focus information-sharing and departmental improvements. Comments mentioned:

- Improve City road maintenance: pave rutted gravel roads; upgrade aging paved roads; improve snow removal and general maintenance on Colony Way, Arctic Boulevard and other streets that branch off them.
- Improve/repair storm water collection systems, curb and gutter.
- Keep sidewalks clear.
- Increase repair and replacement for aging City facilities, generally.
- Improve the Palmer Sr. League field.

- Clarify if, when and how the water and sewer utility would extend piped service. City "water pressure can be limited at times."
- Clarify City trash collection service areas and policies.
- Improve fire response times (in study areas).
- Expand the police force and improve morale in the Police Department.
- Reduce crime and increase vehicle safety enforcement ("Automobiles and Trucks are permitted to be operated with one headlight, Violations emissions").
- Increase enforcement for junk vehicles, property maintenance, single family residential zoning.
- Pay City employees better, specifically police, emergency/first responders, and public works.
- Address homelessness in the City.
- Improve the City's reputation for fiscal management to address concerns that annexation is intended only to increase revenue for the City.

Recommendations

Continue Ongoing Communication

Regardless of whether the City brings forward an annexation petition in future, this study recommends continued conversations with existing City residents and neighbors about making Palmer's city government the best it can be. Survey responses reflected a desire for more frequent and open communication between the City and area residents, generally and specific to the annexation process.

City of Palmer boundaries have been stable for nearly the past 20 years and already capture the majority of taxable property values and commercial activity in the general area. Any future annexation would not be a "land grab" to increase revenue to the City. Instead, the fiscal analysis reveals that future annexation around Palmer would have to be in service of a greater community vision that would motivate City and area residents and business to support a potential (though most likely modest) increase in taxes over 2020 tax rates. A number of survey responses asked for a clear "why" statement to better understand the City's motivations for annexing more land and a better understanding of the benefits of annexation to all concerned.

The City could build on the stability it currently experiences by making improvements in service provision to the extent possible, as well as any needed or chosen adjustments or clarifications to city regulations. Regulatory/policy changes that came up during the community analysis as worthy of consideration include:

- **Building permits, fees and inspections (especially for sheds, fences, decks)** are currently required per PMC Title 15 Buildings and Construction. The City could make some degree of the building permitting and inspection process optional or voluntary. For example, AMC 23.05.030 makes the building permit, review, and inspection processes optional in areas outside the Anchorage Building Safety Service Area (ABSSA).
- **Garbage collection** is currently required per PMC Chapter 8.20 Garbage Collection and Disposal. The City could allow property owners to choose private collection service or self-haul outside the City's service area. Anchorage does this per AMC 27.70.030.
- **Discharge of firearms** is currently prohibited within City limits except at permitted practice facilities per PMC Chapter 9.74 Discharge of Firearms. The City could designate areas in code where hunting is allowed, like the City of Kenai per KMC 13.15.010 Discharge of firearms. Anchorage and Juneau also prohibit the discharge of firearms except in designated areas.
- **Off Highway Vehicles (OHVs)** are not currently permitted on streets except to cross them per PMC Chapter 10.08 Regulation of Off-highway Vehicles. The City could allow licensed operation

of OHVs, like the City of Kenai per KMC Chapter 13.40 Off-road Operations of Motor Vehicles. Designated pathways for OHV use could also be created alongside primary streets.

- **Burning trash, fire pits, fireworks.** Palmer Fire & Rescue may issue recreational burn permits for fire pits and burn permits for certain types of debris on private property. Fireworks are allowed without a permit on New Year's Eve per PMC Chapter 8.42 Fireworks. The City could adjust allowances on burn permits and/or fireworks. For example, Anchorage allows recreational or ceremonial fires if they are managed according to specific safety guidelines and obtain a burn permit if necessary. However, burning debris/waste materials is prohibited within the municipality.
- **Animal restrictions.** The City allows a variety of pet and livestock animals per PMC Title 6 Animals, depending on zoning per PMC Title 17 Zoning. All species of livestock mentioned in comments are already allowed on land zoned for agriculture or on lots of 1+ acres if they do not go within 25 feet from an exterior lot line. The City could allow more dogs per parcel or dogs off-leash. Dog kennels are an allowable use by right on land zoned BP Business Park.

City staff could continue to engage in surveys and listening sessions to obtain regular feedback from the people about where improvements can or have been made. Building on the common things people value about life in and around Palmer, the City would benefit from documenting the ways in which it has (and continues to) improved quality of life, achieved efficiencies in providing services and optimized its tax base. Increase awareness of the City's role in community successes.

More communication about the City's planning activities may also be helpful. Some respondents were not aware of the City's long-term plans for expanding services, land use planning or desired areas for future growth. Before engaging in a proposal for annexation, the City may want to increase area knowledge of and involvement in both shorter-term planning for general operations and capital projects over the next few years, as well as longer-term plans, such as Palmer's Comprehensive Plan, which has not been updated since 2006. Though not reflected in survey results, the City may decide to be more actively involved in economic development planning and related activities in future.

Choose an Annexation Approach

If the City prepares a petition for annexation in future, the findings of this study suggest the City take either a "Go Big" approach and work toward a large-scale annexation, or "Go Small" and work toward bringing in smaller areas that would have minimal fiscal effects to the City. This decision should be informed by the City's comfort level in expanding its operations as well as conversations with area residents. A few survey responses and meeting comments questioned why the study areas did not include certain areas, such as the areas south of inner Springer Inn Spring Hill and Outer Springer (Rocky Point, Sky Ranch, River Bend, and Colony Estate subdivisions) and Marsh Road in Study Area B. One respondent suggested the City consider taking an incremental approach, annexing one or two areas first, then adding more at a later date.

Continue the Conversation

This community analysis suggests that the City should start talking to neighbors early and often about annexation. The overall message was that, whether it benefits them or not, area residents and businesses want to be part of the decision to annex, rather than feel like the City is imposing boundary expansion on them. Some comments reflected a belief that the City is already planning to move forward with annexation regardless of residents' input and intends to take action soon after the study is completed without further opportunity for discussion. Continuous education about the multi-step annexation process and opportunities for public involvement in the decision may help alleviate some of these concerns. Community suggestions included keeping neighbors informed and providing opportunities for them to voice concerns as the process moves forward through mailers, door-to-door fliers, more surveys, informational question-and-answer sessions, and door-to-door discussions or meetings with homeowners

and business associations. A number of survey responses asked for as much information as possible about the process, timelines and what to expect in any annexation process. This report can provide general guidance, but the transition plan developed for any future annexation petition will be critical for informing new citizens about the specific changes they can expect upon becoming part of the city, how and when those changes will take place.

When it comes time for the City to decide on making an annexation petition, some respondents suggested the City consider basing its decision on a majority vote among residents/property owners in the areas considered for annexation. It is unlikely that any annexation petition that has not been created by the request of landowners will have 100 percent support. However, some areas may have enough support to demonstrate a likelihood of success through a vote of the people in an area of consideration.

Table of Contents

- Overview and Executive Summary i**
 - Purpose i
 - Processii
 - Fiscal Effects of Annexationiii
 - Community Considerationsviii
 - Recommendationsxiv
- Introduction to Annexation 1**
 - Annexation in Alaska..... 1
 - Role of the Local Boundary Commission (LBC)..... 1
 - Petition Methods..... 1
 - Local Boundary Commission Annexation Standards 5
 - City of Palmer and Surrounding Areas..... 6
 - History 6
 - Land Use and Economy 6
 - Palmer’s Annexation History: Lessons Learned 7
- Fiscal Analysis 9**
 - Study Areas 9
 - Fiscal Analysis Methodology 11
 - Individual Model Components 12
 - 2030 Projections..... 21
 - Fiscal Impact Analysis..... 22
 - Fiscal Effects 22
- Community Analysis..... 30**
 - Community Analysis Methodology 30
 - Interviews and Meetings..... 30
 - Survey 30
 - Research and Reflection 31
 - Community Impact Analysis..... 32
 - Community Fiscal Concerns 36
 - Planning and Growth Management..... 38
 - Public Services and Infrastructure 42
 - Governance 53
- Projected Annexation Impacts by Study Area 63**

Study Area A	63
Study Area B	65
Study Area C	67
Study Area D	69
Study Area E	71
Study Area F	73
Study Area G (and E)	75
Transition Plan	77
Transfer Process	77
Policy Implications	81
A History of Annexation in Palmer	85
A Piecemeal Approach to Annexation	85
A More Comprehensive Approach to Annexation	85
Providing for Orderly Community Growth and Development	86
Interview Questions	89
Residents and the General Public	89
Developers, Real Estate and Property Owners	89
Survey Questions	89
Figures	
Figure 1. Annexation Process	4
Figure 2. Palmer Annexation History	8
Figure 3. Study Areas Map	10
Figure 4. Fiscal Analysis Methodology	11
Figure 5. Greater Palmer Land Ownership, 2021	13
Figure 6. Heat Map of Property Values, Taxable and Non-Taxable	14
Figure 7. Heat Map of Commercial Activity	16
Figure 8. FY 2020 City of Palmer Adopted General Fund Expenditures	20
Figure 9. General Level of Support for Annexation	32
Figure 10. Level of Perceived Benefit/Challenge for Specific Topics, All Respondents	34
Figure 11. Areas of Concern, All Respondents	35
Figure 12. Greater Palmer Consolidated Fire Service Area	46
Figure 13. South Colony Road Service Area	48
Figure 14. City of Palmer Refuse Collection Service Area	50
Figure 15. Palmer Water and Sewer Utility Service Area	52

Figure 16. Study Area A.....	63
Figure 17. Study Area B.....	65
Figure 18. Study Area C.....	67
Figure 19. Study Area D.....	69
Figure 20. Study Area E.....	71
Figure 21. Study Area F.....	73
Figure 22. Study Area G.....	75
Figure 23. 2006 Palmer Annexation Study Area Map.....	87
Figure 24. Survey Respondents Round 1 and 2.....	93
Figure 25. General Level of Support for Annexation.....	94
Figure 26. Resident Respondents.....	94
Figure 27. Where Survey Respondents Work.....	95
Figure 28. Business Owner Respondents.....	96
Figure 29. Level of Perceived Benefit/Challenge for Specific Topics, All Respondents.....	97
Figure 30. Areas of Concern, All Respondents.....	99

Tables

Table 1. Local Boundary Commission Standards for City Annexation.....	5
Table 2. Estimated Population by Area, 2010 and 2020.....	12
Table 3. Assessed Property Values, 2020.....	15
Table 4. Estimated Sales Tax Base (Excluding Utility Taxes).....	15
Table 5. Road Lane Miles.....	17
Table 6. Estimated Annual Sales Taxes by Area, Current Tax Structure.....	18
Table 7. Potential Property Tax Revenues.....	18
Table 8. Estimated Additional Revenues.....	19
Table 9. Net Fiscal Effects by Annexation Scenario.....	24
Table 10. Budget-Balancing Tax Rate Changes.....	27
Table 11. 2030 Projections: Change in Net Fiscal Effects by Annexation Scenario.....	28
Table 12. Respondent Demographics.....	31
Table 13. Resident Support for Annexation.....	33
Table 14. Resident Support for Annexation by Study Area.....	33
Table 15. Business Owner Support for Annexation.....	33
Table 16. Pre-Annexation Consultation.....	77
Table 17. Resident Support for Annexation.....	95

Table 18. Resident Support for Annexation by Study Area 95
Table 19. Business Owner Support for Annexation 96
Table 20. Respondent Demographics 107

Abbreviations

AAC	Alaska Administrative Code
ABSSA	Anchorage Building Safety Service Area
ADEC	Alaska Department of Environmental Conservation
ADOLWD	Alaska Department of Labor and Workforce Development
ADT	Average Daily Traffic
AMC	Anchorage Municipal Code
APUC	Alaska Public Utilities Commission
ATV	All-Terrain Vehicle
CBJ	City and Borough of Juneau
CCR	Covenants, Codes and Restrictions
CIP	Capital Improvement Plan
COP	City of Palmer
DCCED	State of Alaska Department of Commerce, Community, and Economic Development
FAQ	Frequently Asked Questions
IRS	Internal Revenue Service
ISO	Insurance Services Office
KMC	Kenai Municipal Code
LBC	Local Boundary Commission
LID	Local Improvement District
Mat-Su	Matanuska-Susitna
MBC	Matanuska-Susitna Borough Code
MSB	Matanuska-Susitna Borough
NPDES	National Pollutant Discharge Elimination System
NRA	National Rifle Association
OHV	Off-Highway Vehicle
PILOT	Payment In Lieu Of Taxes
PMC	Palmer Municipal Code
SALT	State and Local Taxes

Introduction to Annexation

Annexation in Alaska

Alaska cities, boroughs, and unified municipalities extend their boundaries through annexation. The annexation process is shown in **Figure 1**. A petition for the annexation of some territory into a city or borough is made to the State of Alaska, and a decision is made by the State of Alaska through the Local Boundary Commission about whether to proceed with the annexation or not.

Role of the Local Boundary Commission (LBC)

Alaska's state constitution (Article X, Section 12) established a Local Boundary Commission with the power to consider and approve any proposed local governmental boundary change, subject only to veto by the State Legislature (Article X, Section 12, Alaska Constitution).

The Alaska Supreme Court clarified the LBC's purpose and role in a landmark 1962 decision:¹

"Article X [of the Alaska Constitution] was drafted and submitted by the Committee on Local Government, which held a series of 31 meetings between November 15 and December 19, 1955. An examination of the relevant minutes of those meetings shows clearly the concept that was in mind when the local boundary commission section was being considered: that local political decisions do not usually create proper boundaries and that boundaries should be established at the state level. The advantage of the method proposed, in the words of the committee: ". . . lies in placing the process at a level where area-wide or state-wide needs can be taken into account. By placing authority in this third-party, arguments for and against boundary change can be analyzed objectively."

Fundamentally, the role of the LBC is to ensure an objective review of local city and borough boundaries to avoid placing sole decision-making responsibilities with local governments, particularly with respect to boundaries which can be difficult to properly define.² The Alaska Division of Community and Regional Affairs provides staff support to the LBC, and also provides technical assistance to petitioners and to the general public.

Petition Methods

State statutes and administrative regulations define the method by which local governments may propose local governmental boundary changes, the LBC's procedures for considering proposals, and the standards by which the LBC must evaluate proposals.

Annexation by Legislative Review

The primary, default method by which local governments may seek to alter their boundaries is the legislative review procedure authorized by the Alaska state constitution. Several important features of this process should be noted:

- The only means by which Alaskan cities can alter their boundaries is by an annexation petition to the LBC.

¹ *Fairview Public Utility District No. 1 v. City of Anchorage*, 368 P.2nd 540 (Alaska 1962).

² Local Boundary Commission. *Report to the 29th Alaska State Legislature, 1st Session February 2015*.

- Cities and certain other parties may propose local boundary changes by petition to the LBC, but only the LBC can approve a boundary change. Cities cannot, by themselves, change their local boundaries.
- The LBC reviews the petition for compliance with applicable standards (summarized in the following pages).
- As part of its review, the LBC conducts an extensive process for public comment, including a local public hearing. Both supporters and opponents of annexation have the opportunity to argue the merits of their position before the LBC.
- Based on the petition record, the LBC may approve, amend (or impose conditions and approve), or disapprove the petition. To approve a petition, the LBC must find that the petition satisfies all applicable standards.
- If the LBC approves the petition, it presents the petition to the State Legislature. The Legislature may disapprove the petition only by a resolution approved by a majority of members of each house. Approval is by tacit consent; meaning that the petition is approved through no action by the State Legislature.
- Proposed boundary changes are not decided by local vote, even when the local action pathway to annexation is utilized (see the next section). The legislative process to annex land is consistent with the constitutional intent, affirmed by the Alaska Supreme Court, to place decisions about often contentious local boundary changes “at a level where area-wide or state-wide needs can be taken into account” and where “arguments for and against boundary change can be analyzed objectively” by a third party.

In summary, the legislative review process through Alaska’s constitution, state law and administrative regulations set detailed rules for petitioners, opponents, and supporters of annexation petitions as they argue their position before the LBC. In the legislative review procedure, LBC regulations require local governments to hold at least one local public hearing on a draft annexation petition before the local governing body can approve the final petition for submittal to the LBC. However, experience has shown that local governments are well advised to conduct an extensive and open public information and consultation process as they consider the merits of a proposed annexation.

Annexation by Local Action

The Alaska Legislature has authorized limited exceptions to the legislative review method for boundary changes. The Legislature has waived its authority to review certain non-controversial city annexation petitions, called local action petitions. These petitions must meet specific conditions and must still be reviewed and approved by the LBC. The Legislature has essentially pre-judged that these annexations are below its threshold of concern for exercising legislative review. By statute, local action petitions are limited to:

- Annexation of adjoining city-owned property.
- Annexation of adjoining territory, unanimously supported by property owners and voters in the territory proposed for annexation; and
- Annexations approved by a majority of voters in the annexing city and in the territory proposed for annexation.

It is technically possible for local governments to proceed with annexation through local action by requiring a majority of voters in the annexing city and in the territory proposed for annexation approve the annexation. However, as described under the legislative action section above, a vote is not a requirement of the process.

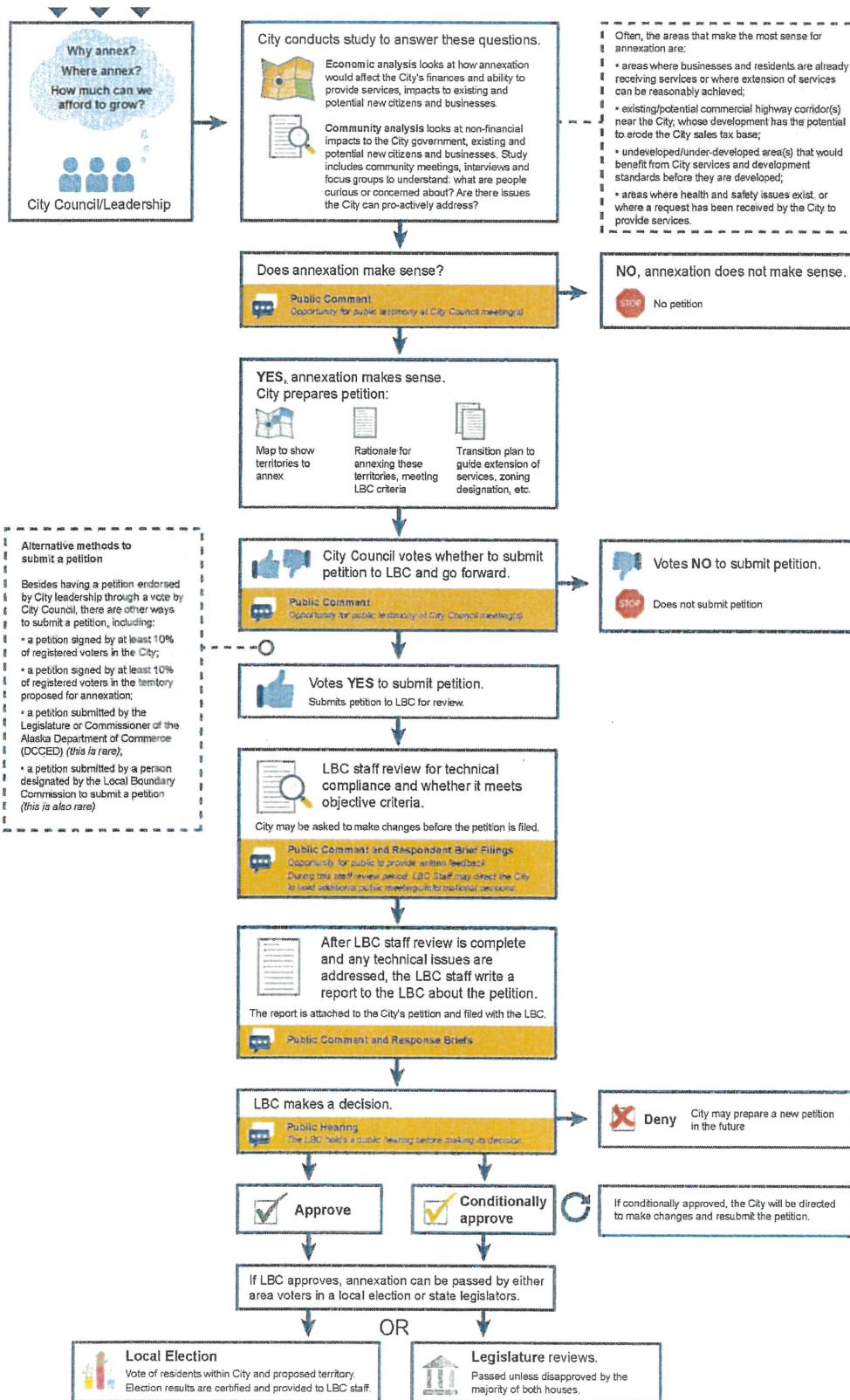
Legislative Review versus Local Action

Since 1959, there have been a total of 264 annexations by cities. Of those, 136 annexation petitions were local action annexations. Most local action annexations were by unanimous consent or annexation of city property. Of the 19 local action annexation petitions prepared statewide in which there was a vote, six were rejected. The remaining 13 petitions were approved by a small margin or had a very small number of voters. All of these examples occurred in 1992 or earlier.

Though many people indicate a preference toward local action because of a desire to vote on annexation, it may not be the most practical method of annexation. Statistically, about 70 percent of all local election annexations in Alaska have failed. The legislative option was created to get beyond the failure of the local action method when annexation is in the interests of the State. Alaska's case law also supports the legislative option for successful annexation:

- In 2010, the Local Boundary Commission approved a local action petition from the City of Dillingham asking voters whether to approve annexation of approximately 400 square miles of Nushagak Bay. The LBC approved the petition and voters affirmed it, but courts ultimately remanded the decision, nullifying the annexation and ordering a new petition through the legislative review method. In that subsequent petition, both the City of Manokotak and the City of Dillingham submitted annexation petitions by the legislative review method. Manokotak's was accepted by the LBC and tacitly approved by the legislature. Dillingham's was rejected by the LBC.
- The Alaska Supreme Court has upheld the legislative review petition process on several occasions. In 1962, The Alaska Supreme Court stated in *Fairview Public Utility District No. 1 v. City of Anchorage*, "local political decisions do not usually create proper boundaries and that boundaries should be established at the state level" and that in the words of the local government committee of the constitutional convention, "by placing authority in this third party, arguments for and against boundary change can be analyzed objectively."
- In 1971, the court held in *City of Douglas v. City & Borough of Juneau* that residents of a community have no constitutionally protected interest in its existence as a separate governmental unit. Hence, the legislature may provide for the annexation of a community without its residents' consent.
- In 1974, in *Mobil Oil Corp v. Local Boundary Commission*, the court said the purpose for creating the LBC, and conferring upon it the powers it has, was to obviate the type of situation where there was a controversy over municipal boundaries which apparently could not be settled at the local level .

Figure 1. Annexation Process by Local Action (3 AAC 110.150) or Legislative Review (3 AAC 110.140)



Local Boundary Commission Annexation Standards

The LBC uses a set of annexation standards (summarized in **Table 1** below) to review annexation petitions. As a quasi-judicial body, the LBC must make its decisions solely on the basis of standards in state law and relevant facts. If the City of Palmer opts to develop an annexation petition, that petition must show that the annexation would adequately meet these standards. This economic and community analysis will help the City evaluate its petition against these standards before submittal to the LBC for review.

Table 1. Local Boundary Commission Standards for City Annexation (3 AAC 110.090-3 AAC 110.130)

LBC Criterion	Standard	Specifics that may be considered
Need of the Territory Proposed to be Annexed (3 AAC 110.090)	The territory must exhibit a reasonable need for city government.	<ul style="list-style-type: none"> Existing or anticipated residential and commercial growth outside the City anticipated over 10 years. Existing or anticipated health, safety and general welfare problems Existing or anticipated economic development Adequacy of existing services in the territory Extraterritorial powers of municipalities Territory may not be annexed to a city if services to that territory can be provided more efficiently by another existing city or by an organized borough.
Character of the Territory Proposed to be Annexed (3 AAC 110.100)	The territory must be compatible in character with the annexing city.	<ul style="list-style-type: none"> Land use, subdivision platting and ownership pattern Salability of land for private uses. Population density / recent population changes Suitability of land for community purposes Transportation and facility patterns Natural geographic features/environmental factors
Resources of the Territory Proposed to be Annexed and the Annexing City (3 AAC 110.110)	The economy of the proposed post-annexation boundaries must include the human and financial resources necessary to provide essential city services on an efficient, cost-effective level.	<ul style="list-style-type: none"> Expenses and revenues from added territory Economic base and property values Industrial, commercial and resource development
Population of the Territory Proposed to be Annexed and the Annexing City (3 AAC 110.120)	The population within the post-annexation boundaries must be sufficiently large and stable to support the extension of city government.	<ul style="list-style-type: none"> Total population Duration of residency / age distribution Historical population patterns / seasonal change
Appropriate Boundaries (3 AAC 110.130)	The proposed post-annexation boundaries must include all areas necessary to provide full development of essential city services on an efficient, cost-effective level.	<ul style="list-style-type: none"> Land use and ownership patterns / Population density Transportation patterns Geographic features / Should be contiguous Not large unpopulated areas 10 years' worth of predictable growth
Best interests of the State (3 AAC 110.135)	The proposed annexation must be in the balanced best interests of the state, the territory proposed for annexation, the annexing city, and the borough in which the annexation is proposed.	<ul style="list-style-type: none"> Promotes maximum self-government Promotes minimum number of government units Relieves the state from providing local services

City of Palmer and Surrounding Areas

The City of Palmer is a home rule city of approximately 5.07 square miles located on the west bank of the Matanuska River in the Matanuska-Susitna Borough (MSB) of Alaska. The City is approximately 42 road miles north of Anchorage, along the Glenn Highway. The City's current population is approximately 6,041 residents (2019, Alaska Department of Labor and Workforce Development, Research and Analysis Section).

History

The area that is now greater Palmer has long been a crossroads of several Tribes, including the Knik, Eklutna and Chickaloon Athabascan Tribes. Traditionally, people lived a more nomadic lifestyle in this area as they moved up and down the valley for subsistence and trading. Trails along the Matanuska River were used to transport trade goods within Den'aina lands.

The city is named after George Palmer, a trader who is said to have arrived in 1875 and established a trading post on the Matanuska River around 1890. The community grew to include new residents who came as miners, homesteaders and for the construction of the Alaska Railroad in 1916. In 1935, over 200 colonist families from upper midwestern states (e.g., Michigan, Wisconsin, and Minnesota) were relocated to Palmer to populate a planned agricultural colony as part of a New Deal program. Although the relocation program largely failed, some families remained in the area and continue to operate family farms generations later.

Palmer incorporated as a city in 1951. Its population has continued to grow, fueled by the construction of the statewide road system and the growth and development of Anchorage. Today, Palmer has become an attractive place for families and a variety of businesses that serve the Mat-Su Valley and/or benefit from a relatively easy commute to and from Anchorage. Tribal people continue to reside in Palmer and in surrounding areas. Approximately eight percent of Palmer's population identifies as Alaska Native.

Land Use and Economy

Palmer is a commercial center in the eastern Matanuska-Susitna Borough, known for its small-town character. A fairly compact downtown developed around the intersection of two major thoroughfares, the Glenn Highway and Palmer-Wasilla Highway. This central area has attracted government and professional offices, shops and eateries. The Alaska Railroad runs north-south through the city, carrying tourists/passengers during the summer. The Palmer Airport serves local aviation businesses, many of which cater to flightseeing tourists. Beyond the central business district, Palmer has several medium density residential neighborhoods, most of which are served by water and sewer. Residential subdivisions within City limits are mostly built out. Palmer residents enjoy neighborhood and community parks and bike trails through the main city corridors. Regional recreation attractions include the City-owned MTA Events Center and Ice Arena, Golf Course and Tennis Courts, as well as the Alaska State Fairgrounds.

North of City limits, there are low-density residential areas and large tracts of farmland north of the Palmer-Wasilla Highway. To the west, land along the Palmer Wasilla Highway has been developed mainly as large lot and low-mid density residential (including some small-scale farming) and mixed-use properties with pockets of commercial development. To the southwest of the city, there is low-density, large-lot residential development along Glenn Highway toward a large area of public lands owned by the State and the University of Alaska. This area is home to the University of Alaska Mat-Su Campus and a regional recreation attraction, the Crevasse Moraine Trail System. Further south, where Parks and Glenn Highways meet, the Mat-Su Regional Hospital provides regional medical care. East of the Parks-Glenn Highway juncture, a large gravel mine crosses both sides of the Glenn Highway and extends all the way

to the Matanuska River. Just south of City limits, the Inner Springer Loop area has, over time, been developed into some of the densest residential development in the greater Palmer area. The Outer Springer area extends to the Matanuska River and is characterized by a mix of farmland and residential properties.

As with most regions within Alaska, Palmer's population growth rate has slowed in recent years. In 2006, the Mat-Su Borough's and the annexation study area's populations were growing by about five percent per year. The region's population growth rate has slowed to only 1.5 to two percent per year in recent years. Much of this slowdown is due to statewide trends: people are having fewer children, resulting in a much lower birthrate, and Alaska does not have a strong fiscal driver for in-migration. Statewide, Alaska has lost population due to out-migration in recent years, including the years leading up to the pandemic.

Palmer's Annexation History: Lessons Learned

A Summary of Annexation in Palmer

The history of annexation in Palmer is summarized below and in **Figure 2**. A more detailed history is included among the appendices.

For the first five decades of Palmer's incorporation as a City (1951-2001), annexation generally occurred upon request by property owners to the City. The primary reason for these requests was the desire for City water and sewer services. This practice of annexation by request created a number of enclaves, unincorporated areas that were bounded by the City of Palmer on all sides. The State discourages enclaves because they tend to cause confusion in municipal governance, taxation and service provision.

In the 1990s, the State of Alaska Local Boundary Commission (LBC) urged the City of Palmer to deal with these enclaves and its future annexation policy in a more comprehensive manner. The LBC even went so far as to deny a City annexation request that would have created another enclave, an action that changed the City of Palmer's effective annexation policy. The City went from annexation by request to an approach characterized by City-initiated petitions to annex fewer but larger, multi-parcel areas, supported by prior analysis and planning for the areas proposed for annexation.

The 1999 Palmer Comprehensive Plan even recommended that the City file a conceptual growth boundary with the LBC identical to the Palmer water and sewer utility's certificated service area boundary, so that future annexations would implement the concept. While this growth boundary was intended to illustrate the largest area people could imagine the city would ever be, it also arguably implied that annexation out to the certificated utility service area boundary was a goal that should be reached over time. Ultimately, whether or not annexation to a specific growth boundary proves to be desired or feasible is not a foregone conclusion; it will depend on how the greater Palmer community grows and evolves over time.


In 2002, using the legislative review process, the City of Palmer annexed all of the enclaves that had been created over the years in a single annexation of over 900 acres. In 2011, one annexation petition of less than one acre was submitted to and approved by the LBC using the local action method by consent of the voters and property owners of land adjacent to city boundaries. A 2007 legislative action petition failed to pass a vote by the Palmer City Council to submit to the LBC because of the strenuous objections of residents in the areas proposed for annexation.

Annexation Lessons Learned

The vast majority of Palmer's annexations have been small, voluntary and often driven by the annexed landowners' desire to hook up to piped water and sewer services. Although this piecemeal approach allowed the City to observe area landowner preferences as to whether or not they wanted to be inside

City boundaries, the resulting irregular boundaries of the City created practical problems. Irregular boundaries and enclaves often create confusion and dissatisfaction about where City services are provided, taxes are collected, and voting or other governance rights exist.

Figure 2. Palmer Annexation History

- 
- **1951:** The City of Palmer was incorporated.
 - **1951-1999:** 44 City annexations of various sizes, generally upon request by landowners.
 - **1999:** Palmer Comprehensive Plan (Gillian Smythe & Associates)
 - **1999:** City of Palmer Annexation. The annexation of 64.9 acres was approved by the LBC as proposed and approved by unanimous consent of all property owners and residents registered as voters.
 - **2000-2001:** City of Palmer Analysis of Annexation Alternatives (Northern Economics, Inc., Smythe Associates)
 - **2002:** City of Palmer Annexation. Through legislative review process, the LBC approved the annexation of 861.44 acres into the City of Palmer. The annexation received tacit approval of the legislature.
 - **2006:** Palmer Comprehensive Plan (Agnew::Beck Consulting) and City of Palmer Analysis of Annexation Alternatives (Northern Economics, Inc.)
 - **2007:** City of Palmer prepared an annexation petition that failed to pass City Council and was not submitted to the LBC.
 - **2010:** Palmer Annexation Strategy (Agnew::Beck Consulting, Northern Economics, Inc., Kevin Waring & Associates)
 - **2011:** City of Palmer Annexation. Annexation of 0.34 acres approved by the LBC and by unanimous consent using the local action process.
 - **2020:** City of Palmer contracts with Agnew::Beck, Halcyon Consulting, and the Alaska Map Company to study the fiscal and community impacts of a future annexation.

In 2002, with some influence from the State, the City used the legislative option to annex all remaining enclaves. Although the annexation by legislative option had mixed support among the affected landowners, it provided needed stability and coherence to the City's boundaries. Within the next few years, the City decoupled its water and sewer utility service area boundaries from the City boundaries to better serve area residents, which effectively removed the primary motivation for voluntary annexations. With only one small, voluntary annexation in the nearly 20 years since then, City boundaries have been very stable.

As the remaining analysis shows, this stability has allowed the City to largely optimize its revenues and services to its current boundaries. At the same time, there could be justification for extending some City services into new areas through annexations in future, as long as the costs to do so are balanced and rural lifestyles can be accommodated. The sense of Palmer as a community may also extend beyond its existing boundaries, causing area residents to desire an expanded voice in governance, locally and vis-à-vis other communities in the state. The decision to annex or not will likely require continued communication in a spirit of partnership among the City and any areas it may consider for annexation.

Fiscal Analysis

Study Areas

The modeling techniques described in this chapter require the team to first establish a set of geographic boundaries to analyze. City staff and the consultant team started with a general boundary similar to the Phase 1 area of the 2006 Palmer Annexation Study (shown in **Figure 23** in the Appendices). This area was divided into smaller study areas using the guiding questions below. These questions integrate Local Boundary Commission annexation standards (**Table 1**) and the City's broad goals for annexation described in earlier report chapters:

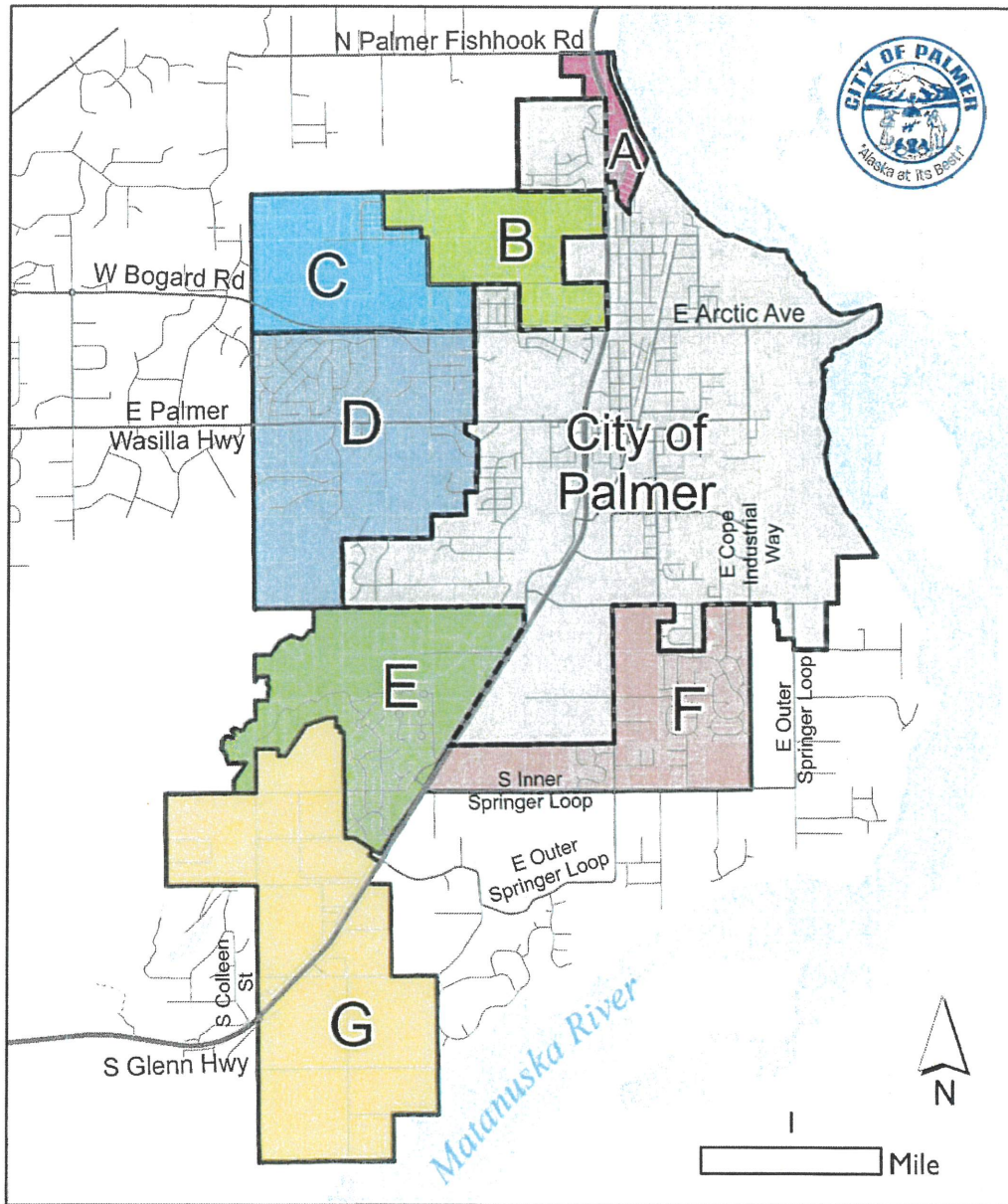
- Where is growth happening now and over the next 10 years?
- Where are there health and safety issues that need addressing by the City?
- Does the City have capacity to provide services to the area?
- Where is economic development happening or anticipated, including commercial corridors?
- Do the sub-areas have similar natural features?
- Are the land use patterns similar?

The Study Areas map on the following page (**Figure 3**) shows the resulting seven study areas. These geographic boundaries were used to model City finances and service needs upon a hypothetical annexation. These areas may or may not be selected for a future annexation petition to the State of Alaska. If the City chooses to proceed with annexation, land within these study areas could become part of the annexation petition; land outside these study areas could also be considered for annexation.

Outer Springer Loop: The study areas selected for analytical purposes do not include a large area of land between the Glenn Highway and the Matanuska River, called the Outer Springer Loop. This area was discussed, but not included because of the size of the area and mix of land uses. Successful annexation of an area must be balanced by a corresponding revenue base to support it. As the fiscal analysis shows, areas with significant residential populations require a higher (and more costly) level of City services. The Outer Springer Loop contains primarily residential subdivisions and farmland, much like the Inner Springer Loop (Study Area F), at a much larger scale. The Fiscal Analysis shows that annexation of Study Area F would result in a net cost to the City over at least a decade. Annexation of the remaining Springer system would have a correspondingly greater net cost to the City. With agricultural tax exemptions, the farms in the area would not generate enough commercial tax revenue to support the level of services that would be required.

A question was also raised about whether the LBC would consider any un-annexed land in the Springer system to be an enclave if Study Areas E and G were annexed. The 2002 City-initiated annexation petition included land that was bordered by the City and the Matanuska River specifically because it was considered an enclave, suggesting that the LBC could interpret the Springer system as an enclave. However, in this hypothetical annexation, any un-annexed land in the Springer system could be interpreted as not a true enclave because it would not be separated from local government services. The Alaska State Troopers could still access the area via the State-owned Glenn Highway. Most other essential services are already provided by agreement between the Mat-Su Borough and the City of Palmer within service areas that are decoupled from City boundaries, therefore unaffected by annexation. The consultant team sought advice from LBC staff during winter of 2020-2021, but specific guidance was unavailable. Should the City proceed with a petition, the consultants' recommendation would be to consider this issue with LBC staff before submitting the petition.

Figure 3. Study Areas Map



City of Palmer
2020 Annexation Study

Date: 3/19/2021 12:40 PM
 Source Data:
 Matanuska Susitna Borough GIS

Study Areas

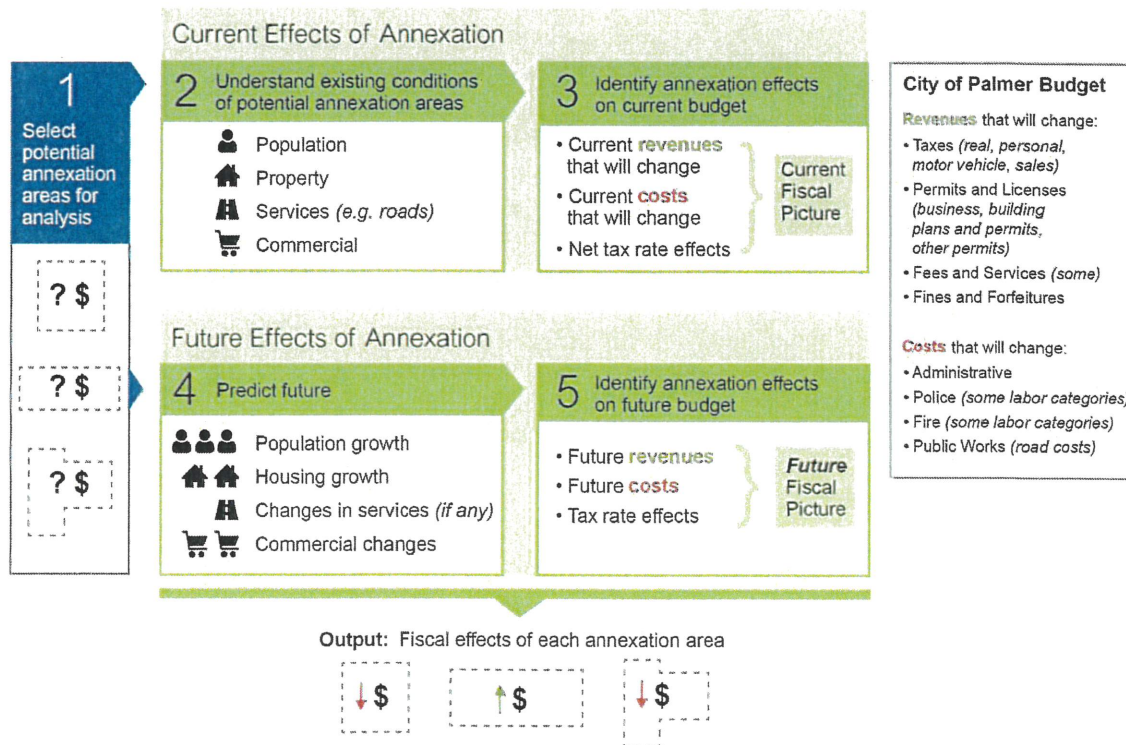
- A
- B
- C
- D
- E
- F
- G
- Palmer City Limits

Fiscal Analysis Methodology

The fiscal (i.e., economic) analysis follows a well-established approach developed for the City of Palmer during the 2006 annexation study and which the study team has used successfully for other Alaskan communities in the intervening period (**Figure 4**). The process the analysis follows includes:

1. Identifying the geographic region the municipality wants to include in the analysis and dividing that region into study areas with a focus toward keeping contiguous neighborhoods of similar character together.
2. Collecting relevant data about the municipality and the study areas which then serve as inputs into the fiscal model. These data include population, property values, services gained/lost with annexation, sales tax revenues, municipal budget data, etc. In essence, the study gathers data on anything that might materially affect municipal finances in a post-annexation environment.
3. Building a fiscal model based on how the municipality provides services to its population and generates revenue under current conditions and how it would provide services and generate revenue if it annexed the study areas. This step provides estimated fiscal effects in the current year if the municipality had annexed the study areas.
4. Developing scenarios of future changes in population, service cost, revenue, and service provision.
5. Predicting future fiscal conditions and annexation effects by repeating step 3 but using the estimates developed in Step 4.

Figure 4. Fiscal Analysis Methodology



Individual Model Components

The City of Palmer Annexation Fiscal Model (hereafter “the fiscal model” or “the model”) is comprised of three primary components:

1. Underlying demographic data and physical attributes including population, property tax base, the sales tax base, and miles of maintained roads.
2. Revenue components such as actual property taxes collected, sales taxes collected, and all other collected fines, fees, and forfeitures.
3. Cost of public service components such as police, fire, public works, and non-public safety general government (e.g., administration, finance, etc.).

The following sub-sections describe the roles these elements play in the fiscal model in greater detail.

Demographics, Physical Attributes, Tax Base

The following model components capture the underlying physical elements that drive the city’s service costs and revenue streams.

Population

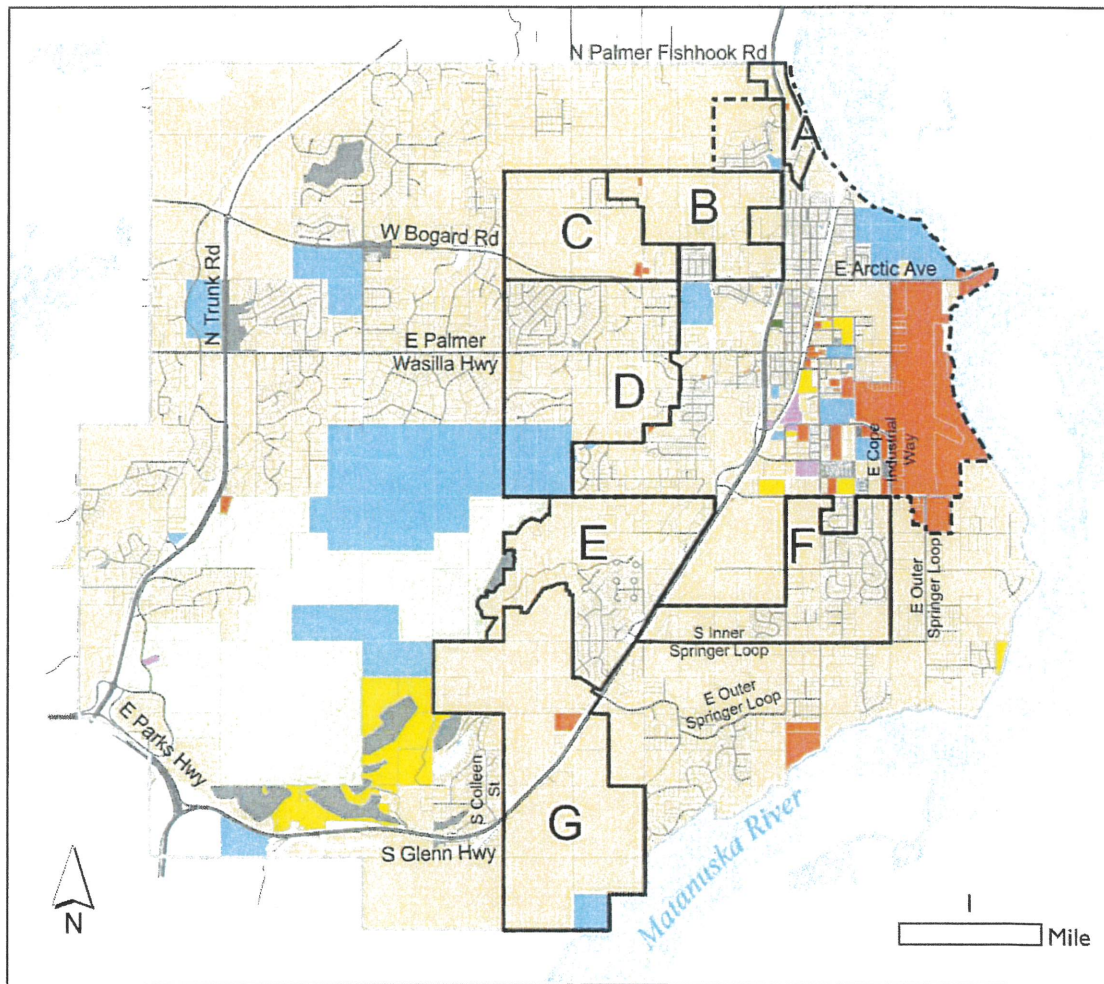
Many city costs are directly and indirectly driven by population. For example, the city’s police department currently fields one sworn officer for approximately every 610 residents. This service ratio is typical for many Alaskan cities and many small communities around the country. Maintaining this service ratio means that as population increases, the number of sworn officers increases, as do the number of support personnel and non-personnel related costs.

Using data from the Alaska Department of Labor and Workforce Development and the U.S. Census Bureau, the study estimates that in 2020, the population of the current City of Palmer was roughly 6,100 individuals, while the combined population of all study areas was approximately 3,500. Over the past decade, the study estimates that the City of Palmer grew at an average rate of 0.5 percent per year and added 322 citizens. The study areas in aggregate grew at an average of 1.9 percent year, but that growth was unevenly distributed across the individual study areas. In fact, take away Study Area F and none of the individual study areas grew at a faster rate than the city; taken together, all other study areas actually had a slower growth rate than the city. The 1.9 percent compound annual growth rate is much lower than the 5+ percent compound annual growth rate the region was experiencing during the 2006 annexation study.

Table 2. Estimated Population by Area, 2010 and 2020

Study Area	Est. Population 2010	Est. Population 2020	Change (N)	Avg Annual Growth Rate (%)
Study Area A	35	35	0	0.0
Study Area B	54	57	3	0.5
Study Area C	80	80	0	0.0
Study Area D	1,156	1,200	44	0.4
Study Area E	835	878	43	0.5
Study Area F	744	1,259	515	5.4
Study Area G	8	8	0	0.0
All Study Areas	2,912	3,517	605	1.9
City of Palmer	5,781	6,103	322	0.5

Figure 5. Greater Palmer Land Ownership, 2021



**City of Palmer
2020 Annexation Study**

Date: 3/19/2021 11:24 AM
Source Data: Matanuska Susitna Borough GIS

Land Ownership	Private
Federal	Cooperative
City	University
State	Other
Borough	

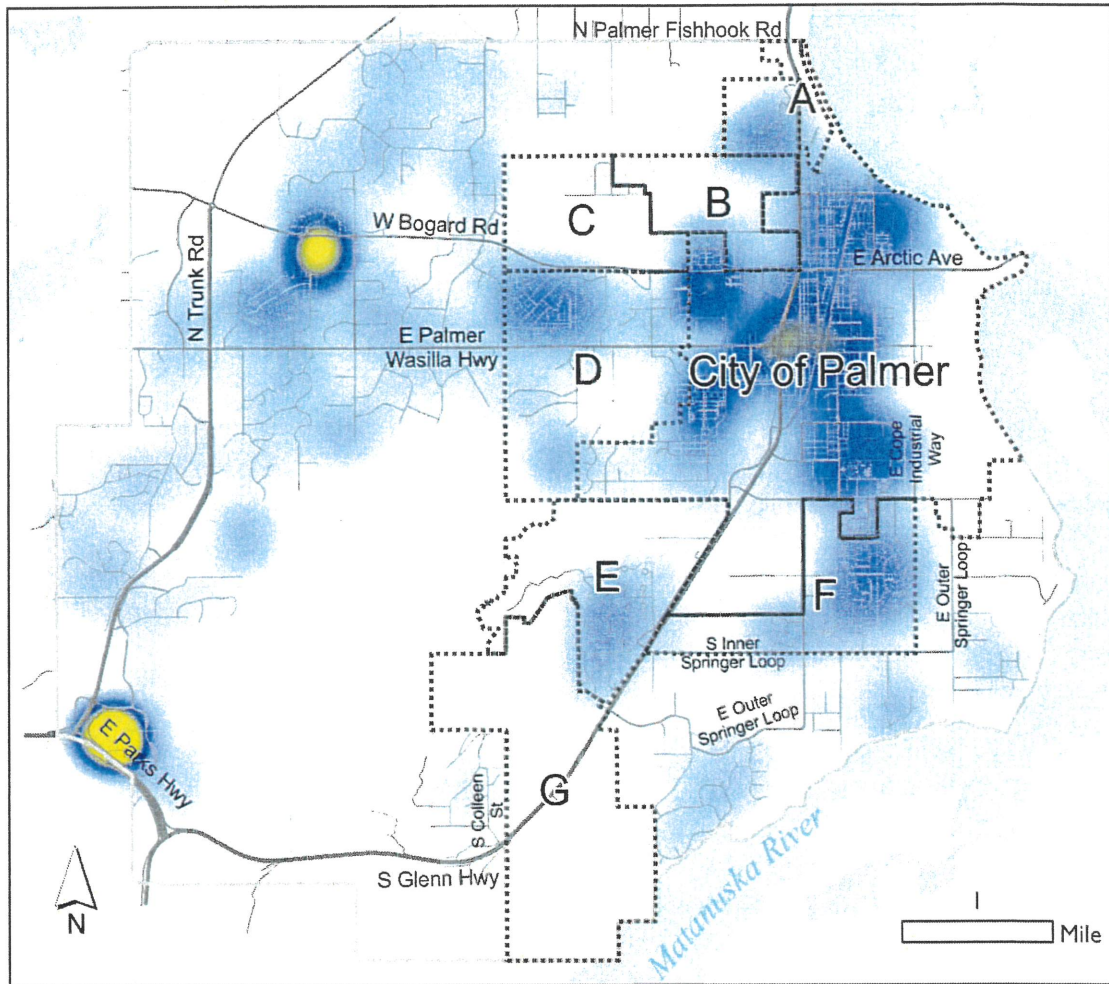


Property Tax Base

Property taxes are the City of Palmer’s second most important revenue source after sales taxes, generating approximately 15 percent of all tax revenue and 11.5 percent of all revenue. The current city mil rate is 3.0 mills (0.3 percent) per annum. In addition, the city residents also pay property taxes to the Matanuska-Susitna Borough equal to 10.3 mills (1.03 percent) per annum. City residents avoid paying roughly 3.08 mills (0.308 percent) of non-areawide Matanuska-Susitna Borough taxes because the City of Palmer provides certain services which displace borough services. All things being equal (i.e., if tax rates didn’t change), annexed properties would see a drop in property tax rates of 0.08 mills based on 2020 rates. This change would provide at least equivalent road and fire services and more responsive police service.

As one might expect, aggregate property values are largely concentrated within the City of Palmer, with additional areas of medium density seen in Areas D, F, and E (Figure 6). There are two concentrations outside the city limits: (1) at the intersection of Bogard Road and N. 49th State Street, and (2) at the intersection of Trunk Road and the Parks Highway. The former area (1) includes properties associated with tax exempt organizations (i.e., schools and churches), while the latter (2) includes the private medical infrastructure of Mat-Su Regional Hospital and surrounding businesses.

Figure 6. Heat Map of Property Values, Taxable and Non-Taxable



City of Palmer
2020 Annexation Study
 Date: 3/19/2021 11:22 AM
 Source Data: Matanuska Susitna Borough GIS

2020 Total Assessed Value
 Sparse
 Dense



The combined assessed value of buildings and land in the City of Palmer is nearly \$470 million or \$76,700 per person of value, on average. Annexing all of the study areas would increase the property tax base by \$229 million; a 49 percent increase. The annexation study areas vary widely in combined value and value per capita. The study area with the highest combined value is Area D, which also has the second highest value per capita. Study Area G has the highest value per capita because it is home to commercial gravel operations and has almost no residents. Study A has the lowest combined value and the lowest value per capita, but it has very few residents.

Table 3. Assessed Property Values, 2020

Study Area	Assessed Land Values (\$M)	Assessed Building Values (\$M)	Combined Value (\$M)	Value per Capita (\$)
Study Area A	0.73	0.91	1.63	46,683
Study Area B	1.79	2.71	4.50	78,972
Study Area C	1.78	5.40	7.19	89,819
Study Area D	18.43	111.43	129.87	108,221
Study Area E	10.06	49.73	59.79	68,098
Study Area F	14.59	89.51	104.10	82,684
Study Area G	4.12	0.53	4.65	581,563
All Study Areas	51.50	260.23	229.40	65,225
City of Palmer	109.71	358.47	468.18	76,713

Sales Tax Base

Sales taxes are the city’s largest single source of taxes and revenue, accounting for 84 percent of annual tax revenue and nearly 66 percent of all revenues. As one of the Matanuska-Susitna Borough’s major commercial and retail centers, the city is playing to its strengths by having a sales tax. Local commercial activity is concentrated within the current City of Palmer boundaries (**Figure 7**). The study estimates that, of an estimated \$440 million in annual non-tax-exempt commercial activity within the entire study area, 85 percent occurs within existing City of Palmer boundaries.

Table 4. Estimated Sales Tax Base (Excluding Utility Taxes)

Study Area	Approximate Annual Non-Exempt Commercial Activity (\$M)	Est. 2020 Population	Est. Non-Exempt Commercial Activity per Capita (\$)
Study Area A	0.5	35	14,000
Study Area B	8.1	57	142,000
Study Area C	0.3	80	4,000
Study Area D	14.8	1,200	12,000
Study Area E	12.5	878	14,000
Study Area F	2.3	1,259	2,000
Study Area G	26.8	8	3,350,000
All Study Areas	65.3	3,517	19,000
All Study Areas ex. G	38.5	3,509	11,000
City of Palmer	374.0	6,103	61,000

Source: Alaska Map Company via DataAxle, 2020.

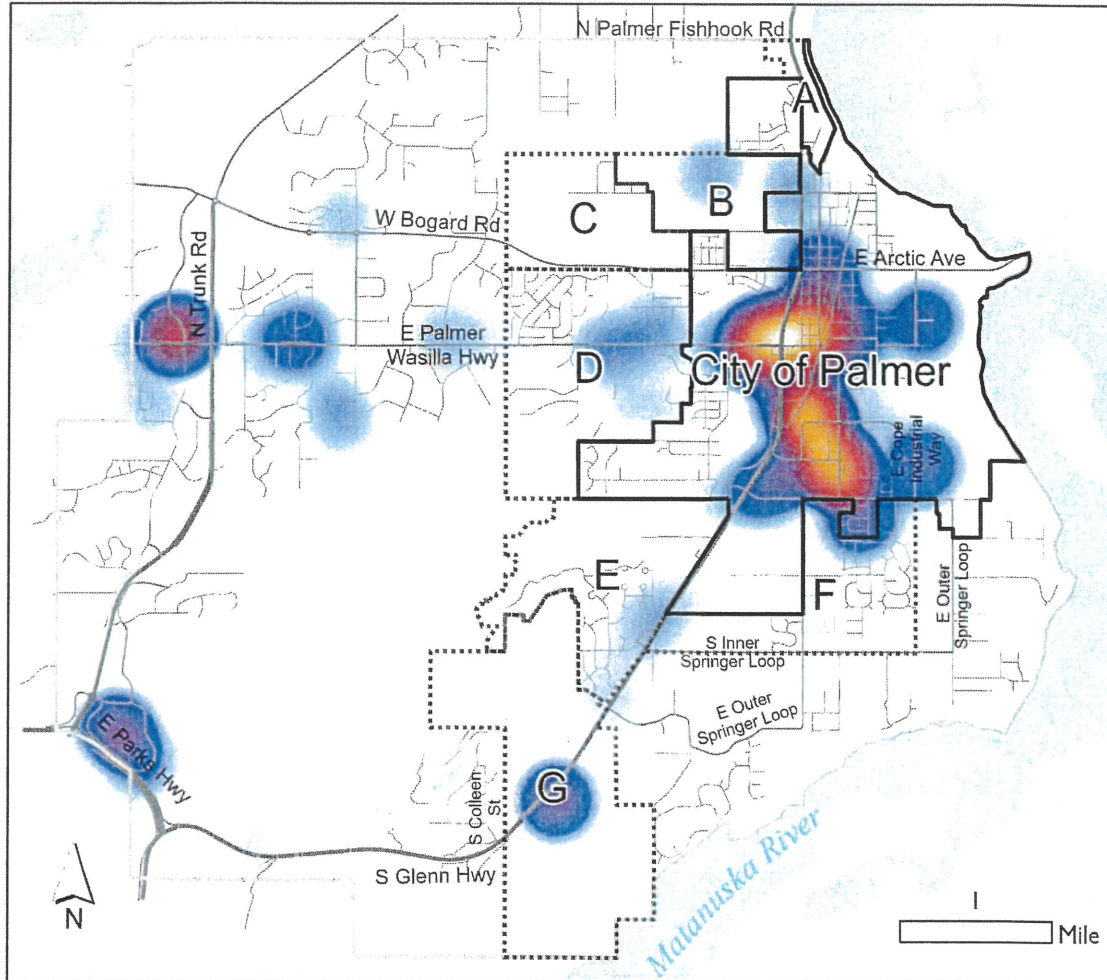
In short, the current city boundaries are largely optimized to capture current commercial activity. Only in Areas B and G does the per capita sales tax resource base exceed the per capita sales tax resource base found within the city. The resources in both of these areas come with important notes:

- The resource base within Area B is small: just 2.5 percent of what occurs inside the current city limits.

- The resource base in Area G likely requires either: (1) the establishment of a gravel severance tax or (2) a change in the city's \$1,000 sales tax cap in order to generate significant tax revenue.

The remaining areas are all relatively commercial-activity poor relative to the population base.

Figure 7. Heat Map of Commercial Activity



**City of Palmer
2020 Annexation Study**

Date: 1/21/2021 2:37 PM
Source Data: Matanuska Susitna Borough GIS,
Data Axle USA

Sales Volume 2020



Road Lane Miles

The largest non-education costs in most cities are police, fire/emergency response, and public works services. The City of Palmer is no different, with 41 percent of the approved FY 2020 budget dedicated to Police and Fire/Emergency Response. Public Works the next largest line item, accounting for 18 percent of the budget. The primary function of Public Works is to maintain and repair surface transportation routes in the city, whether that means repairing potholes in the summer, or plowing and removing snow in the winter. The cost of these services is a direct function of the number of road lane miles the city maintains. The study estimates that there are currently 82 road lane miles in the city, including area associated with

on-street parking, and that there are 54 lane miles in the study areas which would transfer to the City.³ Thus, annexing all of the study areas would increase the number of road lane miles maintained by the Palmer Public Works Department by 66 percent.

Table 5. Road Lane Miles

Study Area	Public Lane Miles (Borough and Road Service Area Roads)
Study Area A	<1
Study Area B	<1
Study Area C	4
Study Area D	19
Study Area E	14
Study Area F	13
Study Area G	1
All Study Areas	54
City of Palmer	82

Source: Alaska Map Company

Revenues

Taxes, fees, fines, forfeitures, and permits/licenses make up 92 percent of the city's annual revenues. The remaining eight percent of the city's annual revenues include receipts from the MTA Events Center, grants/federal funding, and other revenues; these revenues are unlikely to be affected by annexation. The study's fiscal model concentrates on the 92 percent of revenue generated by these sources because they will be directly affected by annexation.

Sales Taxes (including Utility Sales Taxes)

The City of Palmer generates sales tax revenues in multiple ways, including traditional sales taxes at brick-and-mortar businesses located within the city, a sales tax on utility bills for properties in the city, and, starting just recently, a sales tax on online sales.

The study considered multiple methods of estimating sales tax revenues under annexation at brick-and-mortar businesses including using per capita averages and average revenue per business. These methods were dismissed for a more accurate method that allows the study to account for the city's specific sales tax ordinances, particularly those that exempt services and cap single-purchase maximum tax charges at \$30. The study purchased a database from DataAxle, a company that specializes in estimating commercial activity at the business level. The study then excluded exempt businesses and organizations as defined by city ordinances. The study estimates that there is currently \$374 million in annual commercial activity at non-exempt businesses and organizations within city limits. From this tax base, the city generates between \$7.0 million and \$7.5 million in sales taxes each year; effectively equal to two percent of all activity at non-exempt businesses.⁴ The study repeated the process of excluding exempt organizations/business for each annexation study area, then applied the two percent tax harvest rate. The study estimates utility sales taxes by calculating the ratio of utility sales tax collected in the city

³ Lane miles that would transfer to the City include those currently maintained by the Borough and road service areas. Roads currently maintained by the State of Alaska would not transfer to the City.

⁴ The city's sales tax rate is three percent, but exempt activity at non-exempt businesses (e.g., purchasing medicine at the grocery store) and the sales tax cap on individual purchases above \$1,000 reduce the city's effective tax rate to two percent across all commercial activity.

to property values in the city, then applying that ratio to property values in each study area. Online sales taxes are estimated as five percent of aggregate non-utility sales taxes divided among the study areas by population. The five percent metric came from a recommendation by the Alaska Municipal League.

The study estimates that the annexation study areas in aggregate would generate nearly \$1.7 million each year in sales taxes (from all sources), with Study Areas D, E, and G containing the largest revenue sources (Table 6).

Table 6. Estimated Annual Sales Taxes by Area, Current Tax Structure (Rounded to Nearest \$1,000)

Study Area	Approximate Annual Non-Exempt Commercial Activity (\$M)	Estimated Non-Utility Sales Taxes	Estimated Utility Sales Taxes	Estimated Online Sales Taxes	Total Sales Tax Revenue
Study Area A	0.5	15,000	1,000	1,000	17,000
Study Area B	8.1	160,000	4,000	2,000	166,000
Study Area C	0.3	6,000	5,000	2,000	13,000
Study Area D	14.8	293,000	114,000	40,000	447,000
Study Area E	12.5	247,000	52,000	29,000	328,000
Study Area F	2.3	46,000	91,000	41,000	178,000
Study Area G ⁵	26.8	531,000	4,000	<1,000	535,000
All Study Areas	65.3	1,299,000	271,000	115,000	1,684,000

Property Taxes

Property tax revenues are the city’s second largest revenue source. The Matanuska-Susitna Borough provided the study with assessed tax values for all properties in the city and the study area. The analysis estimates property tax revenues by applying the city’s 3 mil property tax rate to aggregate property values in each study area. The study estimates the effect on a typical \$250,000 property by applying the city’s property tax rate to properties in the study area and subtracting the Matanuska-Susitna Borough mil rates that would no longer apply to those properties if annexed. The largest potential sources of property tax revenues are Study Areas D, F, and E.

Table 7. Potential Property Tax Revenues

Study Area	Assessed Land Values (\$M)	Assessed Building Values (\$M)	Combined Value (\$M)	Estimated Annual Property Tax Revenues at 3 Mills (\$)
Study Area A	0.73	0.91	1.63	55,000
Study Area B	1.79	2.71	4.5	14,000
Study Area C	1.78	5.40	7.19	22,000
Study Area D	18.43	111.43	129.87	390,000
Study Area E	10.06	49.73	59.79	179,000
Study Area F	14.59	89.51	104.10	312,000
Study Area G	4.12	0.53	4.65	14,000
All Study Areas	51.5	260.23	229.40	935,000

⁵ Figures for Study Area G would require a gravel severance tax or change in current sales tax caps.

Other Revenues

The city generates a small proportion of its revenues from businesses licenses and fees, building permits and fees, and other fines and forfeitures. The study models these additional revenues primarily on a per capita basis. In addition, should the city annex any territory, the Matanuska-Susitna Borough can be expected to lower its reimbursement to the City of Palmer for operating the Greater Palmer Fire Service Area. **Table 8** shows net estimated other revenues by study area. Study Areas F, D and E have the highest estimated net revenues from these sources because they have the greatest concentrations of residents and businesses in the areas outside current city limits.

Table 8. Estimated Additional Revenues

Study Area	Est. Other Revenues	Est. Greater Palmer Fire Service Area Adj.	Est. Net Other Revenues
Study Area A	5,500	-1,400	4,100
Study Area B	9,700	-1,700	8,000
Study Area C	12,500	-2,000	10,500
Study Area D	190,000	-29,900	160,100
Study Area E	138,500	-20,500	118,000
Study Area F	197,000	-32,000	165,000
Study Area G	1,400	-300	1,100
All Study Areas	554,700	-87,800	466,900

Service Costs

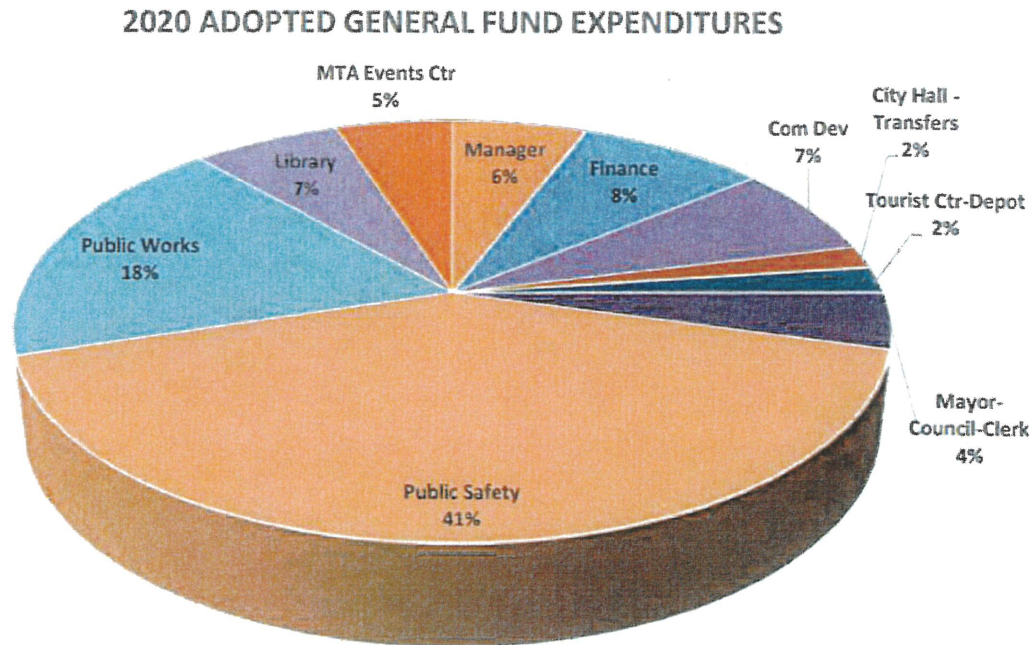
The study analyzed the city’s budget categories by whether they would be affected by annexation or not. The city’s largest cost drivers are Public Safety and Public Works services, which account for 59 percent of the city’s approved budget (**Figure 8**). The study expects that the Police and Public Works cost categories would be sharply affected by providing services to annexed areas. Fire Department costs would not necessarily increase because Palmer’s fire department already serves the study areas. However, as noted above, the Matanuska-Susitna Borough would likely lower fire service area reimbursements to the City. The smaller cost categories of the City Manager’s office, Finance, and Community Development would be affected as well. The study assumes that the Library, MTA Events Ctr, City Hall-Transfers, and Tourist Ctr-Depot, and Mayor-Council-Clerk would be largely unaffected by annexation.

The remainder of this section describes how the model estimates the fiscal effects of annexation on affected cost categories.

Police

The study models the effects of annexation on the city’s police department through a service ratio approach. The city currently maintains one sworn officer per 610 citizens, one dispatcher per 872 citizens, and one non-sworn/non-dispatcher staff member per 2,034 citizens. The city’s budget and personnel counts allow the study to calculate average staffing costs. The study adds a new employee when the service ratio exceeds 105 percent of the current service ratio. For example, the number of citizens per sworn officer would have to increase to 641:1 before a new officer would be added. Adding a new officer would drop the sworn officer ratio to 583:1. The model would not add another new officer until the number of citizens per officer increase to 641:1 again (7,051 citizens). In addition to salary and benefit costs, the model adds the equipment needed to field a new officer every time an officer is added.

Figure 8. FY 2020 City of Palmer Adopted General Fund Expenditures



Source: [City of Palmer, 2021](#).

Public Works

The number of maintained road lane miles drive the costs of the Public Works Department, minus the parks and recreation component. The study calculated road lane miles in the city and the study areas, then calculated the cost of maintaining road lane miles and the number of road lane miles one Public Works staff and their equipment could maintain. The study then worked with the Palmer Public Works Department to estimate the staffing and equipment needed to maintain each service area. Looking at the study areas, smaller areas or areas with limited public roads can be annexed without adding personnel and additional equipment. Study areas with more extensive roads will require significant new personnel.

Non-Public Safety/Non-Public Works General Government

The cost of providing the remaining general government services (excluding the library, event center, mayoral and council salaries, and other non-departmental line items) is \$446 per person per year. In general, as a city's population increases, the total cost of providing general government services also increases, but at a declining rate. In short, as long as they do not add new services or departments, cities experience economies of scale because they can provide services to a larger population more efficiently and spread the costs over a larger tax base. The study adds general government costs for each potential new citizen in the study areas but reduces that additional cost per citizen as the city grows.

Capital Costs

The study's fiscal models include capital costs such as additional police vehicles and equipment, additional graders and dump trucks, and a new storage building for public works. The model assumes these purchases are made when a new police officer is needed or when new equipment operators are needed. The city's department heads maintain that they are currently operating with the minimum amount

of equipment they need for the people they currently have on staff. The Palmer Public Works Department currently rents vehicle storage and maintenance space at the Palmer Airport rather than own and maintain its own storage and maintenance space. This arrangement helps the Airport's bottom line and allows for city equipment and staff to clear the airport's runways. However, the Public Works Department indicates that they have no space to expand in their current location; adding additional personnel and equipment would require leasing or building a new space. The study estimates the cost of building a new Public Works storage and maintenance space at \$3 million for a basic steel structure and land. This new building is incorporated into the fiscal model as soon as the model indicates that the Public Works Department would need to hire new personnel and purchase additional equipment.

New capital for cities is relatively inexpensive because of historically low interest rates. Cities can issue bonds for as low as two percent per annum interest, meaning that every million dollars of debt issued through a 15-year municipal bond costs only \$85,800 per year to repay. Repaying one million dollars in capital debt would currently require the city to collect an additional 1.1 cents for every dollar currently collected in sales tax revenue. Alternatively, if the debt were repaid through sales tax collections the average owner of \$250,000 of taxable property would pay \$27 more in property taxes per year if the tax base included the current city tax base plus the tax base in all the study areas.

The study does not include a new fire station, which is not currently needed to provide fire protection. However, interviews conducted for this study indicated that without a new fire station, the Insurance Services Office (ISO) would likely increase the city's ISO fire score. A higher rating indicates greater fire risk and/or lower ability to respond to a fire. The score runs from 1 to 10. Any area more than five driving miles from a fire station is automatically a 10. An increased ISO fire score would not directly cost the city money, but it could result in increased insurance costs for citizens, as home insurance premiums often incorporate this score. The study estimates the cost of a modest fire station at \$5,000,000.

2030 Projections

The study estimates the net fiscal effect of projected 2030 conditions in 2020 (real dollar) terms. The 2030 projections carry forward the methodology used in fiscal model described in the previous section and adjust anticipated growth in the City of Palmer and study areas. Projections are driven by assumptions that impact the following economic drivers:

1. Changes to population
2. Forecasted housing development
3. Changes to revenue components, such as property taxes and sales taxes collected.

The follow sub-sections describe the roles each of these elements play in the 2030 projections in greater detail.

Population

The fiscal model bases future population growth on Alaska Department of Labor and Workforce Development (ADOLWD) population projections. The ADOLWD projects that the population of the Matanuska-Susitna Borough will have an average annual growth rate of 1.8 percent between 2020 and 2030. This growth rate is used to project the 2030 populations for the City of Palmer and total population of the combined study areas. The model then distributes the combined study area populations to each of the seven focus areas based on historical population distribution and the perceived future development potential in each area. Information collection through interviews with City of Palmer and Matanuska-Susitna Borough department heads informed the distribution of the projected population growth within the study area. The study notes that a 1.8 percent growth rate is 60 percent less than the average annual

growth rate of 5.0 percent presumed in the 2006 study. The Matanuska-Susitna Borough, and Alaska in general, are growing much more slowly in percentage compared to 15 years ago. Growth rates have slowed because birth rates are declining and because economic conditions are attracting fewer people to Alaska, while more people are moving out-of-state.

Housing

The fiscal model estimates the number of current residential structures using property tax appraisal data collected by the Matanuska-Susitna Borough. The number of future residential structures is based on estimated population growth in each of the study areas divided by the current average household size in the study area (2.58 persons per residential structure). These housing projections assume that future growth will reflect current building trends and average household sizes.

Property Taxes

The fiscal model estimates the future property tax base using population projections (described above) and the average assessed value (combined land and building) per capita in each study area. Area-specific assumptions about future development potential are used to adjust population projections, and average annual growth rates in assessed property values (between 2010 and 2020) are used to adjust for expected changes in property values. Property tax revenues are calculated by multiplying projected property values by the City's current mil rate of 3.0 mils. The model assumes the mil rate stays constant through 2030.

Sales Taxes

The fiscal model estimates sales tax revenues using the average annual sales tax per capita. Historical sales tax revenues published by Alaska Department of Commerce, Community, and Economic Development (DCCED) are divided by annual DOLWD population estimates for the City of Palmer and surrounding census tracts to calculate average sales tax per capita and the corresponding average annual growth in sales tax revenues per person.⁶ The average annual growth in sales tax per person is used to calculate the average sales tax per person in 2030 and that number is then applied to the population estimate for the combined study areas. The model distributes projected sales tax revenues to each study area based on the historical distribution of commercial activity in each area.

Fiscal Impact Analysis

Fiscal Effects

Annexations almost always have some level of fiscal effect on the annexing city and the annexed areas. By expanding its boundaries, a municipality increases its citizenry and often its tax base. The costs of providing municipal governance and services would be spread among more people, which could lower the taxes a given individual would pay. However, the benefits of an expanded tax base must be balanced against the costs of providing governance and services to the annexed areas. If the costs outweigh the revenue potential of the annexed areas, taxes may need to be increased and the rationale for a successful annexation would rest more heavily on other community goals, such as protecting the health and safety of community members through the extension of municipal governance, regulation and/or services. As noted previously, a central goal of this study is to estimate the fiscal effects of annexation on the city, on city residents, and on residents of studied areas.

⁶ Sales Tax per capital calculations based on 2010-2019 DOLWD population estimates for census tracts 11, 12.01, 12.02, and 13 in the Mat-Su Borough

Fiscal Findings

As explained below, the study finds that annexation of most of the study areas in this analysis would result in net negative annual fiscal effects (i.e., cost more money than they would raise in taxes). However, these fiscal gaps are small and could be readily mitigated using the city's existing tax structure. In particular, balancing the budget using the city's sales tax resource would likely be imperceptible to taxpayers, for the most part. For example, annexing all areas and mitigating the fiscal effects through a sales tax increase would cost a taxpayer an extra \$0.10 on a \$100 purchase. There are a few study areas where the increased cost to property taxpayers would be potentially noticeable and impactful (about \$300 to \$400 per year) assuming the city opted to mitigate the cost of annexation solely through property taxes in those areas.

The study assessed the fiscal effects of eight different annexation scenarios, looking at how annexation would affect not only net operating fiscal effects but debt repayment fiscal effects. The study estimates that, if the city annexed all of the annexation areas, annual revenues under the current tax structure would increase by nearly \$3.09 million, while operating costs would increase by \$3.54 million for a net operating fiscal effect of approximately -\$0.45 million (-\$448,000) (**This 2020 study's estimates for the individual study areas show a fairly wide range of results, reflecting the unique characteristics of each area.** For example, the study estimates that:

- Areas A or C could be annexed with minimal annual fiscal effects. These areas have small populations, minimal levels of public roads, require no real capital investment, and have relatively scant tax bases.
- Area B could be annexed with a positive net annual fiscal effect. In short, taxpayers in both the City and Area B could benefit from modestly lower taxes. This area has limited population, a decent tax base relative to population, and would require no real capital investment on the part of the city to service.
- Areas D, E, or F would all have a negative net annual fiscal effect on the city because they are home to larger populations and more public roads. All require similar levels of capital investment and more capital investment than Areas A, B, or C. Of these three areas, Area D has the lowest fiscally negative effect because it has a sales tax base to balance out its higher costs. Area F has the largest predicted negative net annual fiscal effects because it is largely residential and has no corresponding sales tax base.
- Area G is only considered for annexation in combination with Area E in observance of State annexation rules that prevent the creation of enclaves. Because Study Area G is not contiguous with the current city boundaries, Area E is required to create a contiguous geographic area. The study predicts negative net annual fiscal effects from annexing these study areas together.

Table 9). At the same time, the study estimates that the City would need to invest roughly \$5.4 million in capital costs, which at current interest rates, would result in an annual debt repayment cost of \$469,000. Thus, the total net fiscal effect of annexing all study areas is roughly -\$0.9 million. In order to balance the budget, the City would have to cut costs equal to this amount, raise revenues equal to this amount, or find some combination of cost saving measures and additional revenue generation.

The combined study areas are roughly equivalent to the "Phase 1" area considered in the 2006 Palmer annexation analysis. The 2006 study found that by 2015, Phase 1 would have a net annual fiscal effect of -\$300,000 and -\$600,000 per year. If that study had extended its projections to 2020, it would have estimated that Phase 1 would have a net annual fiscal effect of -\$550,000 to -\$1.5 million. In 2020, this study's results for annexing all the study areas is nearly in the middle of that range, reaffirming the Phase 1 results of the 2006 study. In fact, the 2006 range projected to 2020 suggests that either the study areas

in this study are smaller than the Phase 1 area, the actual population growth rate has been lower than anticipated in 2006, the City has found ways to reduce the cost of providing public goods and services since 2006, or some combination of these factors.

This 2020 study’s estimates for the individual study areas show a fairly wide range of results, reflecting the unique characteristics of each area. For example, the study estimates that:

- Areas A or C could be annexed with minimal annual fiscal effects. These areas have small populations, minimal levels of public roads, require no real capital investment, and have relatively scant tax bases.
- Area B could be annexed with a positive net annual fiscal effect. In short, taxpayers in both the City and Area B could benefit from modestly lower taxes. This area has limited population, a decent tax base relative to population, and would require no real capital investment on the part of the city to service.
- Areas D, E, or F would all have a negative net annual fiscal effect on the city because they are home to larger populations and more public roads. All require similar levels of capital investment and more capital investment than Areas A, B, or C. Of these three areas, Area D has the lowest fiscally negative effect because it has a sales tax base to balance out its higher costs. Area F has the largest predicted negative net annual fiscal effects because it is largely residential and has no corresponding sales tax base.
- Area G is only considered for annexation in combination with Area E in observance of State annexation rules that prevent the creation of enclaves. Because Study Area G is not contiguous with the current city boundaries, Area E is required to create a contiguous geographic area. The study predicts negative net annual fiscal effects from annexing these study areas together.

Table 9. Net Fiscal Effects by Annexation Scenario

Annexation Scenario	Operating Costs			Capital Costs		Net Annual Operating and Capital Repayment Fiscal Effect (\$)
	Est. Annual Revenues (\$)	Est. Annual Costs (\$)	Net Operating Fiscal Effect (\$)	Est. Initial Capital Costs (\$)	Annual Debt Repayment (\$)	
Area A Only	26,000	36,000	-10,000	0	0	-10,000
Area B Only	187,000	48,000	139,000	0	0	139,000
Area C Only	46,000	68,000	-22,000	0	0	-22,000
Area D Only	997,000	1,457,000	-460,000	3,085,000	-265,000	-725,000
Area E Only	626,000	1,175,000	-549,000	3,085,000	-265,000	-814,000
Area F Only	656,000	1,380,000	-724,000	3,085,000	-265,000	-989,000
Areas E+G	1,176,000	1,189,000	-13,000	3,930,000	-337,000	-350,000
All Study Areas	3,087,000	3,535,000	-448,000	5,465,000	-469,000	-917,000

The positive or negative net fiscal effects of annexation can be offset by changes in the City’s tax rates. In the case of positive fiscal effects, taxpayers would receive a reduction in their rates. Negative net fiscal effects require tax rate increases or service reductions to balance the city budget. The study finds that in

all annexation scenarios, the City could balance its budget with relatively small tax increases, particularly if the City leveraged its sales tax base. For example, if the City annexed all the annexation areas, the study estimates that it could balance its budget by increasing the sales tax rate from 3 percent to 3.15 percent. The net effect on a typical \$1,000 of commercial activity at non-exempt businesses would be \$0.98 of increased taxation. Alternatively, the city could raise its property tax mill rate to 3.6 mils, which would cost the owner of a \$250,000 property an additional \$290 annually if the property is inside or outside the current city limits (**Table 10** converts the net fiscal effect (**Table 9**) into expected “pocketbook” effects for taxpayers. Study Areas may have similar net fiscal effects, but the relative size of their tax bases determines how much tax rates would need to change to balance those net fiscal effects. For example, annexing Area F or annexing all the study areas would have the same net fiscal effect. However, annexing all study areas has less than half the property tax effect and about half the sales tax effect of annexing Area F alone. This difference between the net *fiscal* effect and the net *tax* effect is because city services are utilized more efficiently when the city annexes a larger area and because a larger annexation would spread the cost of services over the maximum tax base.

Table 10).

Table 10 converts the net fiscal effect (**Table 9**) into expected “pocketbook” effects for taxpayers. Study Areas may have similar net fiscal effects, but the relative size of their tax bases determines how much tax rates would need to change to balance those net fiscal effects. For example, annexing Area F or annexing all the study areas would have the same net fiscal effect. However, annexing all study areas has less than half the property tax effect and about half the sales tax effect of annexing Area F alone. This difference between the net *fiscal* effect and the net *tax* effect is because city services are utilized more efficiently when the city annexes a larger area and because a larger annexation would spread the cost of services over the maximum tax base.

Table 10. Budget-Balancing Tax Rate Changes

Annexation Scenario	All Property Tax Approach			All Sales Tax Approach	
	Mil Rate Change Required to Balance Budget (3 mils + ...)	Annual Cost to Owner of \$250,000 in Property (City of Palmer, \$)	Annual Cost to Owner of \$250,000 in Property (Annexed Area, \$)	Sales Tax Rate Change Required to Balance Budget (3%+ ...)	Effect per \$1,000 of Commercial Activity at Non-Exempt Businesses (\$)
Area A Only	0.02	5	3	0.004	0.03
Area B Only	-0.29	-70	-80	-0.055	-0.37
Area C Only	0.05	10	10	0.009	0.06
Area D Only	1.21	300	300	0.285	1.90
Area E Only	1.54	390	380	0.316	2.10
Area F Only	1.73	430	430	0.391	2.60
Areas E+G	0.66	160	160	0.127	0.85
All Study Areas	1.18	290	290	0.302	2.02

The results of the study clearly show that annexation of Areas A, B, C, and E+G would have minimal tax effects on taxpayers in the city and in annexation areas. Annexing Area E, Area D, or Area F would have modest, but significantly larger tax effects; annexing all study areas results in tax effects between the former and the latter. These results provide insight into two broad options for the City if it chooses to pursue annexation. The City could choose:

- A. **Go Small:** The “go small” approach would involve the City annexing some combination of Areas A, B, and/or C, or it could choose to annex Area E+G. Annexing one, or perhaps some of these areas, would require the least investment in new personnel, equipment, and buildings. Annexation would require little to no changes in the City’s current tax structure. The City could focus its efforts on the issue of how to adapt current city ordinances to accommodate the lifestyle issue raised in public comment and identified by the study’s survey.
- B. **Go Big:** Study results indicate that if the City wants to annex some of the larger, more populated areas, it should consider whether it wants to annex all or nearly all of the annexation areas under consideration. Annexing a large population at once allows the City to take advantage of economies of scale and spread capital costs over the largest tax base possible, an option not available when considering annexing only Areas D, E, or F. In a “Go Big” approach, the City would annex all of the study areas (with the possible exception of Area F). This approach would likely require a modest change in tax structure and investment in revising the City’s ordinances to address the issues raised by the survey and public process.

2030 Fiscal Findings

The following section summarizes the projected fiscal effects of annexation expected to be seen in the year 2030. The projected fiscal impacts for 2030 are presented in 2020 dollars or in real terms. Presenting these values in real terms excludes the effect of inflation, so that both the 2020 and 2030

values are viewed through the same 2020 lens, allowing for an “apples to apples” comparison. This model assumes that changes in costs will align with the general upward price movement of goods and services in the economy and that inflationary impacts will largely be canceled out.

The study finds that annexation of most areas studied in this analysis would continue to result in net negative annual fiscal effects in the year 2030. **Table 11** summarizes the environmental and fiscal changes projected for 2030 in additive terms (i.e., the expected change between the 2020 and 2030). The study estimates that if the City annexed all of the study areas, annual revenues would increase by \$306,000 and annual operating costs would increase by \$387,000 between 2020 and 2030. These changes would increase the overall fiscal gap by roughly \$95,500. This change is primarily driven by projected population growth and changes in sales and property tax revenues.

Looking at individual study areas, the model projects that in Study Areas A, B, C and E, fiscal gaps would start to close as the population increases and the City realizes economies of scale. However, the analysis projects that the net fiscal effects of annexation will worsen in Study Areas D, F and G. In Study Area D, continued population growth is expected to incur service increases (i.e., the need for additional police officer(s)) without commensurate development of tax resources. There are very few sales tax resources in Study Area F, and continued population growth will only increase expected city operating costs in that area. Study Area G is expected to see decreased revenue potential as the large gravel pit in that area nears the end of its operational life.

Table 11. 2030 Projections: Change in Net Fiscal Effects by Annexation Scenario

Annexation Scenario	2030 Environment Changes				2030 Fiscal Changes			Change in Net Fiscal Effect 2020-2030
	New Population	New Housing Units	New Property Tax (\$)	New Sales Tax (\$)	Revenue Change (\$)	Operating Cost Change (\$)	Capital Cost Change	
Area A Only	10	4	1,000	5,000	8,000	5,000	0	3,000
Area B Only	39	15	9,000	48,000	62,000	18,000	0	44,000
Area C Only	39	15	11,000	4,000	19,000	17,000	0	2,000
Area D Only	103	40	33,000	129,000	176,000	224,000	14,500	-62,500
Area E Only	221	86	53,000	95,000	169,000	127,000	0	42,000
Area F Only	214	83	53,000	52,000	133,000	389,000	14,500	-270,500
Areas E+G	224	87	51,000	250,000	-93,000	128,000	0	-221,000
All Study Areas	630	244	159,000	488,000	306,000	387,000	14,500	-95,500

The 2030 projections for the individual study area vary significantly between study area and reflect the unique characteristics of each study area. The 2030 projections assume that:

- While the soils in Area A are good for development, there is not a lot of available land in this area. There is no real expectation for future development in this area.

- Areas B and C are both largely agricultural, but as larger parcels are divided and sold, these areas could see a healthy portion of projected future growth.⁷ Area C's proximity to schools also makes this area desirable for future development.
- Area D is largely built out and is seen as having less potential for future growth. This area's proximity to trails makes it desirable, but there are a limited number of parcels that could accommodate future growth.
- Area E is largely raw land that is seen as highly desirable but could be slightly more expensive to develop. This area is expected to capture a moderate amount of future growth.
- Infill is likely to continue in Area F but there are a number of large lots owned by the Alaska State Fair that might limit future development.
- Area G is viewed as largely unsuitable for residential development due to extensive gravel mining operations in the area.

⁷ Several Palmer-area farmers have been and continue to work with the Alaska Farmland Trust to place agricultural preservation easements on their farmland. These preservation easements could decrease the development potential of farmland, depending on the provisions of the easement.

Community Analysis

Community Analysis Methodology

The community analysis focuses on public perception as well as non-fiscal annexation impacts that would affect annexed areas, such as the application of City land use and other regulations. The community analysis is used to: a) inform the fiscal modeling assumptions, if applicable, b) clarify the changes and resulting impacts of a proposed annexation, and c) identify actions the City of Palmer could take to ameliorate unwanted effects of annexation, d) understand how members of the greater Palmer community weigh the potential benefits and challenges of annexation.

The project team conducted public outreach to identify specific annexation effects through a variety of methods, including interviews and meetings and two rounds of an online survey. The Project team reviewed relevant comments and testimony offered at City Council meetings about the annexation study and responded to emails and telephone calls about the study from concerned citizens.

Information about the study was posted to the project website: <https://palmerannexstudy.org/>, and a project email list was used to send updates about key project developments and opportunities for community involvement.

Interviews and Meetings

The project team conducted 10 key informant interviews and focus group discussions, including city staff, LBC staff, Palmer-area farmers and hobby farmers, Mat-Su Borough staff, and a local Economic Development Committee Board Member.

The project team also conducted several public meetings, listening sessions and presentations, as well as a radio show that aired on Radio Free Palmer. Because the study was completed during the COVID-19 pandemic, all public meetings were conducted virtually. Meetings featured a presentation of key findings from the study as well as opportunity for general discussion and questions to be answered. Recordings of the February 4 and February 20 meetings were posted online for general viewing at Radio Free Palmer (<https://www.radiofreepalmer.org/streamed-meetings/>) and the Palmer Annexation Study project website (<https://palmerannexstudy.org/>), respectively.

1. August 25, 2020 and September 8, 2020: presentations of study methodology and plan to Palmer City Council.
2. February 4, 2021: online public meeting, attended by 17 community members.
3. February 8, 2021: online listening session, with three community members registered.
4. February 10, 2021: Presentation to the Palmer Chamber of Commerce.
5. February 11, 2021: online listening session, with 11 community members registered.
6. February 20, 2021: online listening session, with 27 community members registered.
7. April 13, 2021: presentation of findings to Palmer City Council.

Survey

The Palmer Annexation Study survey was open November 3 to November 20, 2020 and from January 25 to February 22, 2021. The survey had a grand total of 610 responses. Questions were designed to reveal how people weigh the potential benefits and detriments of annexation (included in the Appendices). The survey had a majority of white respondents and a diversity of income levels. Respondents were fairly well distributed by age with just over one-third in the younger age cohort. In comparing survey responses to

City of Palmer demographics, respondent demographics are fairly but not exactly consistent with trends citywide. It is fair to suggest that the younger demographic is slightly less represented, compared to City demographics. Similarly, people of color are slightly less represented when compared to Palmer demographics. Finally, lower income households are notably less represented compared to household income distribution in Palmer overall.

Table 12. Respondent Demographics

	All Survey Respondents	City of Palmer 2018 ACS (US Census Bureau)	City of Palmer and Study Areas 2020*
Female	273	45%	50%
Male	243	40%	50%
Prefer not to answer	87	14%	
Total	603	100%	100%
Age 20-44	220	36%	49%
Age 45-64	229	38%	34%
Age 65 and over	86	14%	17%
Prefer not to answer	69	11%	
Total Age 20 and over	604	100%	100%
White or Caucasian	377	62%	74%
American Indian or Alaska Native	18	3%	8%
Black or African American	6	1%	2%
Asian or Asian American	2	0%	2%
Two or more races	33	5%	8%
Another race	12	2%	6%
Prefer not to answer	157	26%	
Total	605	100%	100%
Under \$25,000	7	1%	18%
\$25,000-\$49,999	42	7%	18%
\$50,000-\$74,999	73	12%	17%
\$75,000-\$99,999	118	20%	12%
Over \$100,000	205	34%	36%
Prefer not to answer	158	26%	
Total	603	100%	100%

2020 Data from ESRI adjusted by the Alaska Map Co. using Mat-Su Borough housing assessment counts.

Research and Reflection

The project team reviewed previous annexation studies conducted for the City of Palmer, Palmer Municipal Code, as well as prior-year annexation petitions and other procedural resources on file with the

LBC. Specific concerns were researched to clearly communicate the changes that would occur upon annexing land. If potential actions were identified to avoid or ameliorate negative impacts, these have been noted in the analysis and transition plan chapters. Where possible, examples of code used by comparable to cities to accommodate specific regulatory concerns have also been noted.

Community Impact Analysis

Level of Support for Annexation

Survey findings show that 62 percent of those who live in the city support annexation and 17 percent do not support, whereas 15 percent of those who live in the study areas support annexation and 67 percent do not support it. This trend is similar for business owners in City versus the study areas. Business owners within the City are more evenly split (43 percent indicated possible support, whereas 39 percent indicated a lack of support). Business owners in the study areas indicated a stronger lack of support (74 percent). These results indicate that Palmer residents want more people to join the City and possibly understand some of the benefits of annexation.

Figure 9. General Level of Support for Annexation

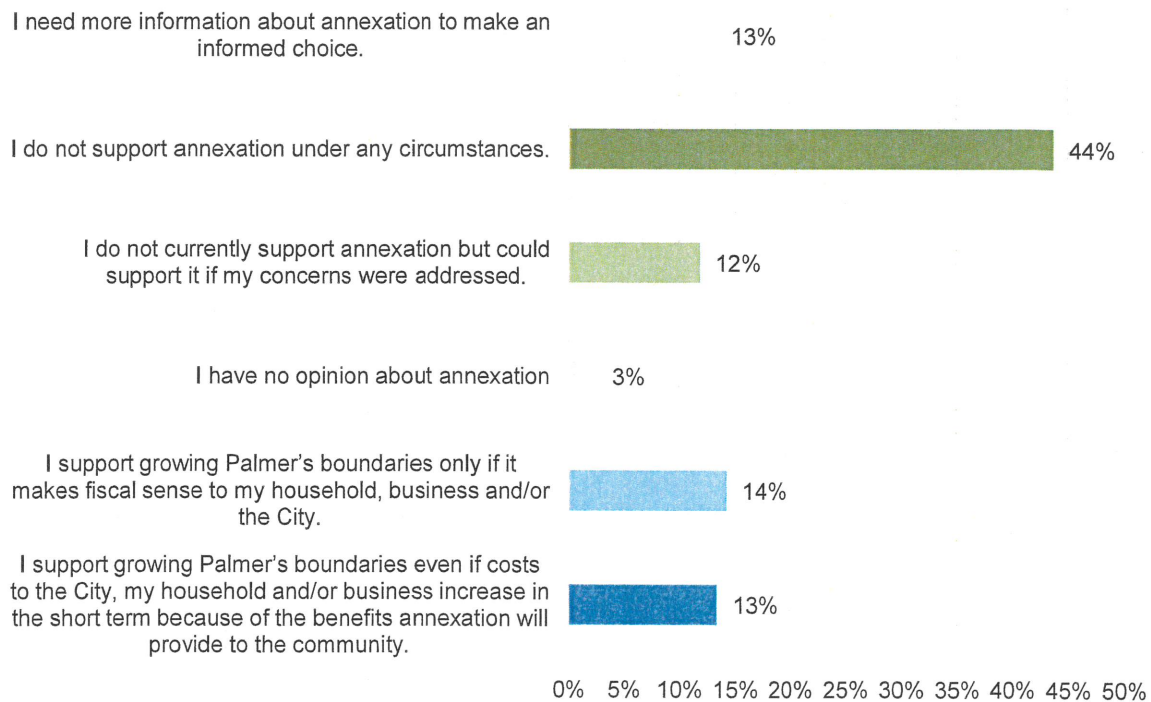


Table 13. Resident Support for Annexation

	Live in City		Live in Study Area		Live Outside SA & City		All Residents	
Response indicated a lack of support	17	17%	244	67%	76	54%	337	56%
No Opinion, Need More Info, or None of the above	21	21%	62	17%	19	14%	102	17%
Response indicated possible support	61	62%	56	15%	45	32%	162	27%
Total	99	100%	362	100%	140	100%	601	100%

Table 14. Resident Support for Annexation by Study Area

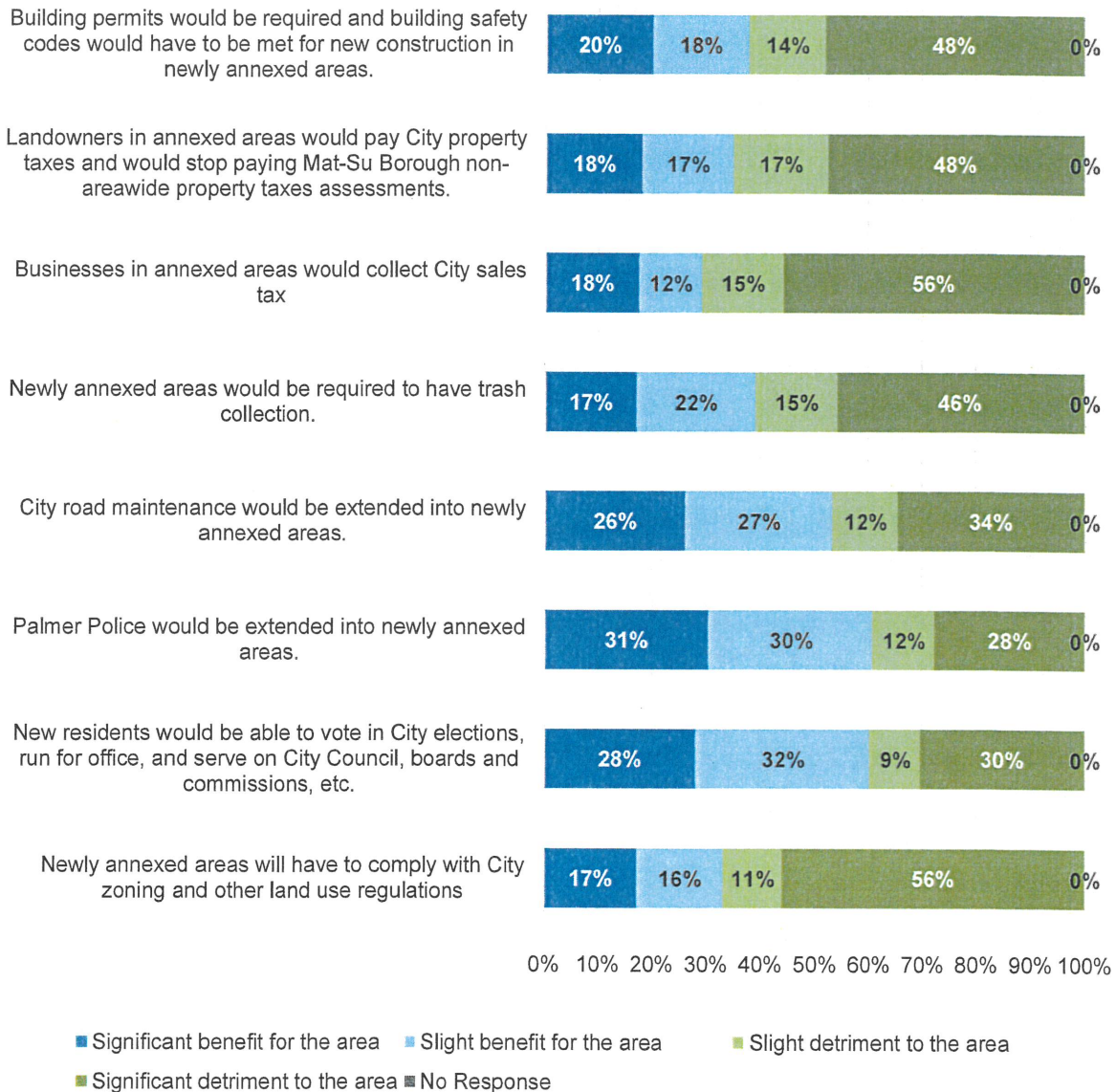
Study Area	Total Resident Respondents	# Support Annexation	% Support Annexation
Study Area A	7	3	43%
Study Area B	6	0	0%
Study Area C	14	1	7%
Study Area D	80	15	19%
Study Area E	98	15	15%
Study Area F	153	19	12%
Study Area G	7	3	43%

Table 15. Business Owner Support for Annexation

	Own Business in City		Own Business in Study Area		Own Business Outside Study Area and City		All Business	
Response indicated a lack of support	20	39%	53	74%	31	62%	104	60%
No Opinion, Need More Info, or None of the above	9	18%	11	15%	3	6%	23	13%
Response indicated possible support	22	43%	8	11%	16	32%	46	27%
Total	51	100%	72	100%	50	100%	173	100%

Annexation Benefits and Challenges

Figure 10. Level of Perceived Benefit/Challenge for Specific Topics, All Respondents



Annexation Benefits

When asked an open-ended question about the perceived benefits of annexation, 51 percent of survey respondents indicated they saw no benefits to annexation. Positive responses (18 percent of total responses) reflected the themes below:

- Access to or improved City services, generally
- Access to specific services: police, water and sewer, road maintenance and streetlights, staffed fire station, bike paths
- Attracting businesses and families
- Everyone in the area living by the same rules

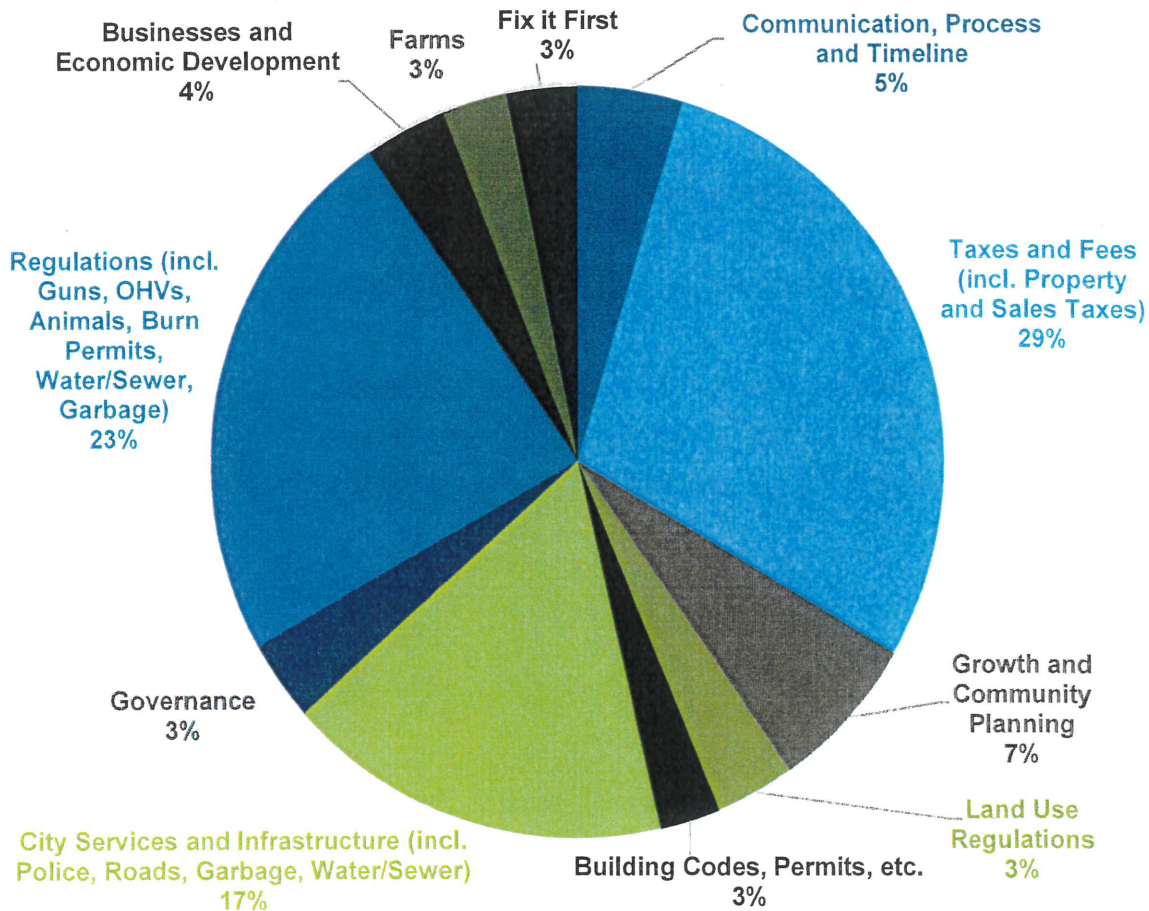
- Less confusion about city boundaries
- Lifestyle preferences
- More opportunities for input on future planning and growth
- Possibility of increased City revenue and/or broader tax base
- Possibility of new jobs at City and area businesses
- Representation in City government
- Zoning and land use regulations, with more controls than under current Borough codes

Neutral responses addressed themes like the need for more information or mixed views about benefits when weighed against challenges or applied to the area the respondent was most familiar with.

Annexation Challenges

When asked an open-ended question about the perceived challenges associated with annexation, survey responses fell into the categorized areas of concern in **Figure 11**. The most repeated concerns included not wanting more regulation, not wanting (or feeling unable to afford) an increase in taxes, and concerns about the City's ability to provide services to annexed areas at a comparable quality and cost-effectiveness to the Borough. Respondents also noted concerns about the City's readiness to extend services and enforcement of City regulations in annexed areas without first demonstrating some improvements within existing boundaries.

Figure 11. Areas of Concern, All Respondents



Specific concerns raised by business owners included concerns about farms, businesses operated on the same property as the home, and ongoing administrative impacts of adapting to the City's tax structure and regulatory framework that would be a burden to businesses. In many cases, resident and business concerns were identical: 17 percent of business owners live and own a business in the same area.

Respondents were also asked open-ended questions about actions the City could take to address their concerns and about information the study should include. Key themes from the responses of all open-ended questions are summarized by topic area on the following pages.

Community Fiscal Concerns

City Revenues/Tax Base

Through the study's public outreach activities, some area residents and business owners acknowledged the benefits of an expanded tax base to distribute the cost of public services among more taxpayers and potentially gain new revenue sources to improve city services. In open-ended responses, five percent of all respondents noted positive impacts to the City's revenues and/or tax base as a benefit of annexation. These respondents suggested that the City would benefit from a larger or broader tax base through increased population, bringing more businesses into the City, and/or taxing the quarry/gravel pits. Respondents also suggested the City might see increases in revenue through taxes and/or through increased allocations for State/Federal funding sources. One respondent asked if annexation would increase or decrease Palmer's chances as a small community to be awarded grants.

Area residents and business owners also expressed a great deal of concern about the impact of an annexation on their overall taxes. In open-ended responses, nearly 30 percent of all respondents indicated that city taxes and fees would be a concern. One respondent suggested that in the event of a significant annexation, the City should consider temporary tax abatements or a ramp in the property and sales taxes in annexed territory, so any tax increases are not a shock to annexed residents and businesses.

Property Taxes

The Matanuska-Susitna Borough (MSB) collects property taxes for the entire Borough, including City property taxes, and remits the City property taxes back to the City. All Borough residents pay the Mat-Su Borough areawide property tax, inside and outside City boundaries. Inside City boundaries, residents also pay the City property tax. Outside City boundaries, residents also pay the Mat-Su Borough non-areawide property tax. City and Borough property tax rates change from year-to-year; 2020 tax rates are shown below. Property tax exemptions for seniors and disabled veterans and farmland use tax deferrals apply equally for City and Borough residents.

Annexed property owners would pay City property tax to the City of Palmer plus the Mat-Su Borough areawide property tax; they would no longer pay a separate road service area tax, fire service area tax, or the Borough non-areawide property tax. The Mat-Su Borough would continue to do all property assessments for annexed properties. Annexation into the City of Palmer has not been found to affect property values in the past. Currently, the Matanuska-Susitna Borough has a cap on property taxes. The City of Palmer does not currently have a property tax cap, but it could implement one. Neither exemptions for seniors and disabled veterans, nor farmland use tax deferrals would be affected by annexation.

Inside Palmer City Limits, property owners pay:

	10.322 mils	(MSB areawide property tax)
+	3.000 mils	(City property tax)
<hr/>		
	13.322 mils	(total property tax, 2020 for FY21 budget)

Outside Palmer City Limits, property owners pay:

	10.322 mils	(MSB areawide property tax)
	1.500 mils	(South Colony Road Service Area tax)
	0.960 mils	(Greater Palmer Consolidated Fire Service Area property tax)
+	0.511 mils	(MSB non-areawide property tax)
<hr/>		
	13.293 mils	(total property tax, 2020 for FY21 budget)

65 percent of survey respondents viewed City property tax as a detriment. Open-ended responses that specifically mentioned property tax indicated some concern about increasing property taxes especially if it pays for services that are neither wanted nor used. One response included the suggestion to create a city property tax cap.

Sales Taxes

The City of Palmer also has a three percent sales tax, which is collected by non-exempt businesses within City limits. The City has a sales tax cap of \$1,000 per item/service and several sales tax exemptions (listed in Palmer Municipal Code 3.16.050 Exemptions),⁸ including for land/property sales, various school-related sales, medical services and prescriptions, bulk sales of feed, seed and fertilizer to farmers, various financial sales and services, food stamps, funeral expenses, some aviation-related sales and other exemptions. The City of Palmer recently adopted the Alaska Uniform Remote Seller Sales Tax Code (PMC 3.16.300), which charges sales tax on purchases made to remote businesses (i.e., online sellers) under Palmer Municipal Code 3.16.035 (Sales tax application).

Palmer's City sales tax would be collected on applicable sales within annexed areas. Individual businesses would have to check whether their activities would be included among the exemptions. Residents in annexed areas would pay sales tax on utilities (and rent if they do not own their home). Depending where they do their other day-to-day spending, most annexed residents would probably find that they have already been paying City sales tax on purchases from businesses inside existing City boundaries.

71 percent of survey respondents viewed City sales tax as a detriment. Open-ended responses that specifically mentioned sales tax indicated that some homeowners limit their spending overall and particularly do not want to pay sales tax on locally grown food. Some businesses are concerned that having to collect city sales tax and the online sales tax would hurt their business because their competition does not have to charge sales taxes. One response included the suggestion to eliminate the City's monthly reporting requirement for sales taxes.

⁸ City of Palmer. *Palmer Municipal Code 3.16.050 Exemptions*. Accessed February 9, 2021 from: <http://palmer.municipal.codes/PMC/3.16.050>.

Severance Tax

Open-ended survey responses that specifically mentioned other types of city taxes and fees indicated support for a severance tax on local quarries and/or gravel pits as well as a road tax against quarry trucks. The City does not currently have a severance tax. The City may consider implementing a severance tax on materials extraction, although the City has no intention to impose significant new taxes. The City would have to consider the maturity of existing extraction operations and how long a severance tax could be a reliable revenue source.

Bed Tax

One survey response included a question about whether the city would collect a bed tax. The Matanuska-Susitna Borough currently collects a five percent bed tax on businesses that provide traveler accommodations. Annexed hospitality businesses would still pay the Borough bed tax, but the City of Palmer does **not** have a bed tax. These businesses would only be responsible to the City for collecting City sales tax. Note that Palmer's zoning codes (PMC 17.89 Short-Term Rentals) include regulation and standards for bed and breakfast-style lodging.

Other Fees

Survey responses mentioned concerns about local improvement district assessments, building permit/inspection fees, as well as fees for specific city services (e.g., garbage collection, City water/sewer connection fees). The City of Palmer charges a number of fees that would apply to annexed residents or businesses, depending on the individual situation or activities the resident or business is engaged in. For example, businesses in the City of Palmer must have a City business license, which costs \$25 per year. For an up-to-date listing, please reference the resources below.

City of Palmer Fee Schedule: www.palmerak.org/finance/page/fee-schedule.

Quick Reference Guide to Establishing a Business in Palmer, Alaska:

www.palmerak.org/community-development/page/quick-reference-guide-establishing-business-palmer-alaska

Planning and Growth Management

As the Palmer area's population grows and land is developed, annexation would allow the City to apply its land use powers to help plan for and manage development in annexed areas. Some real estate developers prefer to develop land within City boundaries to benefit from services like City Police. As land is proposed for development or redevelopment, planning and land use regulation can reduce incompatible adjacent land uses and help protect the small-town feel of the area that people value, especially along main road corridors like the Glenn and Palmer-Wasilla Highways, where State road improvements make development more attractive. The study areas include gravel pits, which will eventually close, and it is not known how that land will be re-developed. A well-timed annexation would give the City greater influence over what happens with the land once the gravel operations close, ensuring that future uses are compatible with existing land uses in the area and local community character.

"If all the farmland leading into Palmer is built on, it's just going to look like any other town, not home anymore."

"Palmer is a small town that is perfect for families, and we want it to stay exactly as it is."

Greater Palmer also includes significant areas of farmland. Not only is maintaining agriculture important to Palmer's character and identity, the greater Palmer area has some of the cleanest and most productive (Class 2) soils in the state. City zoning could help protect farmland that is intended for perpetual use as agricultural land. Some area farmers are already putting conservation easements on their prime farmland

for this reason through the Alaska Farmland Trust. Farmers may also want to keep the flexibility of having at least part of their property remain un-zoned land that can maintain a higher value for sale and redevelopment.

Annexation could give the City more reason to promote economic development inside its boundaries. Unlike most other City taxes and fees, Palmer's City sales tax generates revenue from local *and* non-local taxpayers through business sales. The more businesses inside the City that generate sales tax revenue from sales to non-local customers or clients, the more the City can reduce its local tax burden to area residents.

Key Findings

Public outreach revealed very mixed viewpoints about the planning and growth management aspects of annexation. Some view annexation and the City's ability to do land use planning as the key to growth for Palmer, attracting businesses and families, opening more economic opportunities and allowing the community to develop with assurances of zoning control to avoid incompatible uses and maintain the small-town feel of the area. Some area residents and business owners would value City land use controls to protect Palmer's character as land is developed, especially along the Palmer-Wasilla Highway and Glenn Highway corridors. Some area residents view zoning and regulation as good for residents, rather than intrusive.

"Palmer's layout is much better than the 'anything goes' Matanuska-Susitna Borough zoning." "With the Matanuska-Susitna Borough you can have a business' sheet metal building constructed in a residential area."

Others expressed concerns that annexation would encourage growth and, with it, crime, high density housing without the infrastructure to support it, traffic, and unwanted levels of commercial development. Some commented about the importance of maintaining Palmer's small town feel and protecting farmland.

Responses indicated support for protecting Palmer's small-town character, including support for farmland preservation. Responses revealed a difference of opinion about annexation as either opportunity to extend City land use regulations to manage growth or the belief that annexation would drive population growth and thereby irreversibly destroy Palmer's small-town lifestyle. Comments included a request for the study to describe the long-term goals of the City in pursuing annexation as well as to provide growth, traffic and land value projections. These respondents want to know if annexation would affect the value of annexed land, as well as the costs and ripple effects of increased development and the population growth that would follow, such as impacts to traffic volume and patterns.

Land Use Regulations

67 percent of survey respondents viewed City zoning and land use regulations as a detriment. Open-ended responses revealed mixed attitudes toward land use regulations. Some voiced concerns about how annexed land will be zoned and whether the City has appropriate land use designations. People generally want to be able to keep doing what they have been doing with their land; many expressed support for grandfathering existing land uses in any annexed territory. Some people expressed general opposition to zoning and other land use regulations, while others voiced the desire for greater enforcement of existing city regulations inside the City.

Some responses support zoning or other land use regulations for a variety of reasons including:

- protect Palmer's small-town character;
- prevent sprawl;
- protect the quality of Palmer's downtown and commercial district(s);
- protect farmland and hobby farm activities on primarily residential;

- protect public health and sanitation (i.e., disallow septic systems where they would endanger public health);
- limit high-density housing.

One respondent suggested a green buffer next to the Mountain Ranch subdivision. Another respondent suggested allowing buildings over three stories. Other responses oppose zoning or other land use regulations for fear that it would decrease land value or disallow the existing mix of uses on individual properties.

Building Codes, Permits, etc.

62 percent of survey respondents viewed City building codes and permits as a detriment. Open-ended responses that mentioned building codes, permits and inspections reflected a desire for the City to be more flexible or not require these for structures like sheds, decks, storage buildings, fences, etc. Some concerns focused more on the costs associated with code compliance and permitting for building and land use.

Issue	Explanation
General Regulations	As part of an annexation petition, the City must submit a transition plan for the areas proposed for annexation to the State Local Boundary Commission. The transition plan would describe when and how City regulations would be applied to annexed areas, including applicable zoning, as well as any regulatory changes that would take effect upon incorporating annexed territory into the city. Some land uses and building structures that would not meet existing Palmer Municipal Code (PMC) could be grandfathered (allowed inside expanded City boundaries by “grandfather rights”). The City could also change certain existing City regulations upon annexation for the entire City or create regulations that apply only in certain areas or land use designations. Existing Palmer Municipal Code can be viewed at http://palmer.municipal.codes/PMC
Subdivisions	Matanuska-Susitna Borough Code, Title 16 (Subdivisions) was repealed by ordinance in 2006. Palmer Municipal Code, Title 16 (Subdivisions) regulates land subdivisions within the City. The Palmer City Planning and Zoning Commission reviews plats and provides subdividers with guidance to ensure compliance with Palmer Municipal Code, and formally approves or disapproves final plats.
Homeowner Association covenants, codes and restrictions (CCRs)	Homeowner Association covenants, codes and restrictions (CCRs) are not affected by annexation and are up to the homeowner association to enforce. If private CCR(s) conflict with City code, the City will enforce its code.
Zoning and Conditional Use Permits	With a few exceptions, the Matanuska-Susitna Borough currently requires Land Use Permits, as well as Conditional Use Permits for certain high impact uses (e.g., adult entertainment, materials extraction) in all areas of the Borough outside the cities of Houston, Palmer and Wasilla. ⁹ Upon annexation, the City’s zoning powers would be applied to annexed territory by recommendation to the Palmer Planning and Zoning Commission. Palmer Municipal Code, Title 17 (Zoning) currently contains 17 different zoning districts that provide a wide range of by right and conditional uses. Generally, annexed territory would be zoned to match the existing land use of the parcel and adjacent or nearby properties with similar land uses that are already zoned. For example, an annexed property with a single-family home on it that is located adjacent to a single-family residential neighborhood in the City would be zoned the same as the parcels in the adjacent neighborhood. The City would work with the owners of annexed properties to identify the zoning for each parcel, especially if existing

⁹ Matanuska-Susitna Borough. *Zoning*. Accessed February 9, 2021 from: <https://www.matsugov.us/zoning>.

Issue	Explanation
	<p>land uses do not clearly match a particular existing zoning district. For mixed-use properties, multiple Palmer zoning districts could apply, depending on the intensity and type of existing land uses on the parcel. PMC 17.16.060 (Annexation zoning) provides guidance for the City to zone annexed land; it describes several situations in which a land parcel would be zoned T-Transitional District (PMC 17.59) upon annexation and until an appropriate zoning designation and any conditional use permits are applied and granted. Palmer's Transitional Zoning has been amended over time to better accommodate the needs of property owners who wish to continue their regular and planned business or other operations, such as a planned building expansion, during the transitional period.</p>
<p>Building permits, fees and codes</p>	<p>The Matanuska-Susitna Borough adopted building codes and requires a plan review for new or renovated commercial buildings. The Borough also requires a Flood Hazard Development Permit for any development located in designated special flood hazard areas and a permit for the construction of a driveway or other development that will affect a Borough-managed public right-of-way or easement. The Borough recommends contacting the MSB Code Compliance Office before buying or building in the Borough.¹⁰</p> <p>The City of Palmer adopted building safety codes (PMC Title 15 Buildings and Construction) and requires building permits for new construction, additions and alterations, which include decks, small storage buildings, greenhouses, etc.¹¹ The City requires building permits for fences, signs and temporary structures if the structure will remain in place longer than six months (PMC 15.08.3103).</p> <p>The City charges a sliding scale for the permits based on the value of the structure to be built. This fee scale¹² assumes that the greater the value of the structure, the more complex it is, and the more time and expertise will be needed to review it for compliance with all applicable plans, ordinances and regulations before approving its construction.</p> <p>To better accommodate the desire for greater flexibility in building code compliance, the City of Palmer could review and amend code to make some degree of the building permitting and inspection process optional or voluntary. For example, Anchorage Municipal Code 23.05.030 makes the requirements to apply for and complete the building permit, plan review, and building inspection processes optional in areas outside the Anchorage Building Safety Service Area (ABSSA), which is defined in AMC 27.30.040. The boundaries of the ABSSA are outlined on a map in AMC 27.30.700.</p>
<p>Fences</p>	<p>At the time of writing, the City may issue a one-time fence permit for \$26 per parcel; the property owner must update the City on the fence location if it is moved.¹³ The City tracks the location of electric fences on agricultural lands for public health reasons and to enforce height restrictions on residential land.</p>
<p>Signs</p>	<p>Sign permits are required for permanent signs (PMC 14.08.020), which must comply with PMC 14.08 Sign regulations. At the time of writing, sign permit fees are \$25 plus \$1.50/sf of sign area (non-electrical signs) and \$50 plus \$3/sf of sign area (electrical signs).¹⁴</p>

¹⁰ Matanuska-Susitna Borough. *Code Compliance*. Accessed February 9, 2021 from: <https://www.matsugov.us/codecompliance>.

¹¹ City of Palmer. *Building Codes*. Accessed February 9, 2021 from: <https://www.palmerak.org/community-development/page/building-code-enforcement-information>.

City of Palmer. *Building Reports*. Accessed February 9, 2021 from: <https://www.palmerak.org/community-development/page/building-reports>.

¹² City of Palmer. *Fee Schedule*. Accessed February 4, 2021 from: www.palmerak.org/finance/page/fee-schedule.

¹³ City of Palmer. *Fence Permit Application*. Accessed February 9, 2021 from: <https://www.palmerak.org/community-development/page/residential-fence-permit-application>.

¹⁴ City of Palmer. *Fee Schedule*. Accessed February 4, 2021 from: www.palmerak.org/finance/page/fee-schedule.

Issue	Explanation
Historic Structures	Historic buildings often do not meet current building codes and standards. Palmer Municipal Code recognizes the value of historic structures in PMC 17.68.050, which provides guidance for Nonconforming structures. Generally, existing structures are grandfathered into the city and may be required to be brought to code if the structure needs to be reconstructed or will be substantially renovated anyway. The City may be able to access Historic Preservation funding to subsidize the cost of renovating historic structures.
Fire Inspection	Fire inspection and approval is required for commercial buildings and multi-family residential properties in the Matanuska-Susitna Borough, but “residential housing that is triplex or smaller are exempt from this requirement.” ¹⁵ Fire inspection is a state responsibility, delegated to local government by the Alaska State Fire Marshal. Palmer Fire and Rescue conducts all fire and life safety plan reviews and inspections, fire prevention and education activities in the Palmer Fire and Rescue service area. Annexation would not change this.

Public Services and Infrastructure

Annexation would extend some new city services to annexed areas, including Palmer City Police (which would replace the Alaska State Troopers as the primary response provider) and street maintenance (which would replace the South Colony Road Service Area). Other City services are provided to service areas that are separate from City boundaries and would not be affected by annexation. These include water and sewer services (which may be extended within the utility’s Certificated Service Area), fire and emergency response services (which are already provided within the Greater Palmer Consolidated Fire Service Area). Services are discussed generally and by City department, below.

Key Findings

Community comments about city services and infrastructure were mixed. Some view having access to more City services as a benefit of annexation; others are content with services provided by the Borough. Some prefer new development to be inside the city so that it can benefit from city services, particularly Palmer Police response. Some view annexation as a benefit because of improvements in City service provision that could be possible with a larger tax base.

Some responses voiced concern about the City’s readiness or ability to extend services to annexed areas. These comments questioned whether the City has the infrastructure to support the larger size of a major annexation. A few responses included support for fire hydrants to be extended into annexed areas, or at least want a better understanding of whether the City would extend fire hydrants to annexed area(s). A few respondents voiced concern that an annexation could mean that services like sewer, water and garbage collection would all be provided to the original city residents but not extended to the newly annexed area, so that annexed people would be paying taxes for services they don’t receive.

Public input also revealed that some area residents (both inside and outside existing City boundaries) would prefer to see the City improve existing service provision within its boundaries before making an annexation petition, with a focus on improvements in water and sewer, solid waste collection, outdoor recreation facilities, planning and local code enforcement. A few responses specifically mentioned the desire for improvements (or repair and replacement) to aging stormwater collection infrastructure and existing City facilities (generally).

One or two respondents voiced strong dissatisfaction with mail service in the Palmer area (specifically the Post Office and cost of a PO box). It should be noted that because mail service is a Federal service,

¹⁵ Matanuska-Susitna Borough, Fire and Life Safety Division. *Building and Renovating*. Accessed February 3, 2021 from: <http://www.matsugov.us/firecode#buildingrenovating>.

annexation would not necessarily affect postal services. Public input also included questions about how annexation would affect schools in terms of population and funding.

Issue	Explanation
Schools	Public schools are operated by the Manatuska-Susitna Borough School District in Palmer and all study areas; annexation would not affect public schools directly.
City and service area boundaries	Maps on the following pages show where the City of Palmer and service area boundaries are for City Refuse Collection, the Greater Palmer Consolidated Fire Service Area (City), the Palmer Water and Sewer Utility (City), and the South Colony Road Service Area (Borough).
Plan for staffing, facilities and equipment across departments	<p>Existing staffing, facilities and equipment across departments: The Palmer Comprehensive Plan provides guidance for City operations and was last updated in 2006. The City's 5-year Capital Improvement Plan (CIP) provides guidance on the planned construction of or improvements to City facilities and is included in each adopted budget with the Capital Projects Fund.¹⁶ After a significant annexation, the City may update these plans.</p> <p>For annexation: Through this annexation study, City department heads estimated the amount of increased staffing, facilities and equipment needed for annexation at the scale of each of the study areas. If the City prepares an annexation petition for a specific area (or set of areas) in future, it will be required to include a transition plan that similarly describes how City operations will adjust to accommodate the proposed annexation. Cities are often able to provide services more cost-effectively to a somewhat larger population.</p>

City Administration and Finance

City property and sales taxes go into City of Palmer's General Fund, which pays for city administration and some city services. Other city services are set up as separate enterprise or proprietary funds that are operated more like private businesses and pay for themselves through user fees, leases and/or sales. In general, when hourly City personnel work on behalf of an enterprise fund, their time is billed to the enterprise. Enterprise funds have a payment in lieu of taxes (PILOT) based on gross revenues to account for general fund City staff time devoted to enterprise activities.

The City's general administration team includes the City's Attorney, City Manager, City Clerk and Human Resources. The Palmer Finance Department manages the City's accounting, prepares the budget, manages the City's audits, collects the City sales tax, administers City business licenses, manages billing and collections and does grant reporting for the City. These functions are paid for through the City's General Fund. The City also maintains a separate enterprise fund for land sales that has had very limited activity over the years; it is not the responsibility of a particular city department. The City of Palmer's Administration and Finance Departments would not be greatly affected by annexation.

Community Development

The Palmer Community Development Department provides planning and zoning administration, plan review, plat review for new subdivisions, code enforcement and building inspections. The Community Development Department also manages the MTA Events Center, the Palmer Library and Palmer Depot under the general fund. Community Development staff include a Department Director, Building Inspector, Community Development Specialist, and Administrative Assistant, as well as the Palmer Public Library Director and MTA Events Center Manager.

¹⁶ City of Palmer. *Budget Documents*. Accessed February 9, 2021 from: <https://www.palmerak.org/finance/page/budget-documents>.

Some area residents identified possible parks and recreation-related improvements as a potential benefit of annexation through community engagement activities. Specific improvements included: increased access to parks and public lands, construction of new bike paths and other recreation infrastructure in annexed areas, and improved pedestrian access from annexed areas to the City of Palmer. One respondent voiced concern for the City to improve existing recreational infrastructure (specifically the Palmer Senior League Field) before annexing anything.

Upon an annexation, the Palmer Community Development Department would be fairly busy administering the application of zoning and other land use regulations to annexed lands in support to the Palmer Planning and Zoning Commission. In the longer term, the department would not be greatly affected by annexation. Property taxpayers in annexed areas would contribute to the operation and maintenance of City Parks and Recreation facilities and programming, including community parks and trails, the MTA Events Center and Ice Arena, the Palmer Library and Palmer Depot.

Issue	Explanation
Recreational or non-motorized transportation improvements	The Matanuska-Susitna Borough has generally kept ownership of Borough parks in annexations but delegated the powers to maintain and develop Borough-owned parkland to the City once it is inside that city's boundaries. Annexation would not guarantee any particular improvements, but it would give residents in annexed areas greater opportunity to vote for recreational or non-motorized transportation improvements in City elections and serve on the City's Parks and Recreation Advisory Board. In the study areas considered by this report, there is the most opportunity to develop non-motorized trails along major roadways.

Palmer Golf Course

The Palmer Golf Course is set up as an enterprise fund; it generates revenue from green and trail fees, equipment and space rentals, as well as snack bar, merchandise and beer sales. The City contracts with a private management company to perform all golf course activities (e.g., sales, maintenance). The Palmer Golf Course would not be affected by annexation.

Warren “Bud” Woods Palmer Municipal Airport

Palmer Airport facilities include a number of hangars, a helipad, a 6,000-ft main runway, a 3,600-ft crosswind runway, and a 1,500-ft gravel runway. The airport offers aircraft parking for day and overnight use as well as long-term tiedowns, fueling and ground support, field maintenance and an aircraft parts store. The airport is home to a number of local aviation businesses. The airport is set up as an enterprise fund and managed by the City Airport Superintendent. Some facility maintenance is provided by the Public Works Department Facilities Division. Airport operations are funded primarily by Airport property and sales taxes, revenue from tiedowns and land leases. The Palmer Airport would not be affected by annexation.

Police

Within City limits, the Palmer Police Department provides police, emergency, and dispatch services as well as public safety education within City boundaries. Police services are also paid for through the City's General Fund. Alaska State Troopers provide public safety services to areas outside City limits and are also headquartered at the Palmer Trooper Post in the same building as the Palmer Police Department.

Issue	Explanation
Police coverage	The City would assume responsibility for police services from the Alaska State Troopers. If there is a call outside Palmer City limits, Palmer Police may respond, but if there is a call at the same time from inside Palmer City limits (even if it is less of an emergency),

Issue	Explanation
	<p>Palmer Police must respond to the call within the City first. The City does not receive extra compensation for providing police services outside City limits.</p> <p>The City of Palmer currently maintains a police force equivalent to one sworn officer per 610 citizens, one dispatcher per 872 citizens, and one non-sworn/non-dispatcher staff member per 2,034 citizens. If an area is annexed into the City of Palmer, the Police Department would hire new staff as needed to maintain similar staff ratios. The fiscal study assumes that the City would hire a new sworn officer for every 641 people annexed into Palmer. There is no fair way to truly compare average police and State Trooper response times.</p>

Palmer police was identified as a benefit of a potential annexation by 61 percent of survey respondents. Some area residents support annexation to expand access to police services, to receive a more rapid response from law enforcement officers, and/or as a way to increase funding for city police. Some respondents prefer the Alaska State Troopers. Other responses expressed concern that the Palmer Police Department would be overwhelmed by a significant annexation because staff are already overworked, understaffed, underpaid, and do not feel supported by the City. A few respondents also voiced concerns about the expense of expanding the City’s police force and about the City’s ability to find qualified people to hire for the new positions as well as its ability to pay its officers a competitive salary.

Fire and Emergency Services

Palmer Fire and Rescue provides fire safety education within the City of Palmer, and fire and rescue response within the Greater Palmer Consolidated Fire Service Area (**Figure 12**) by a cost-sharing agreement between the Matanuska-Susitna Borough and the City of Palmer. Palmer’s cost-share is paid for through the City’s General Fund. Staffed fire stations and improved fire response times were identified as potential benefits of annexation.

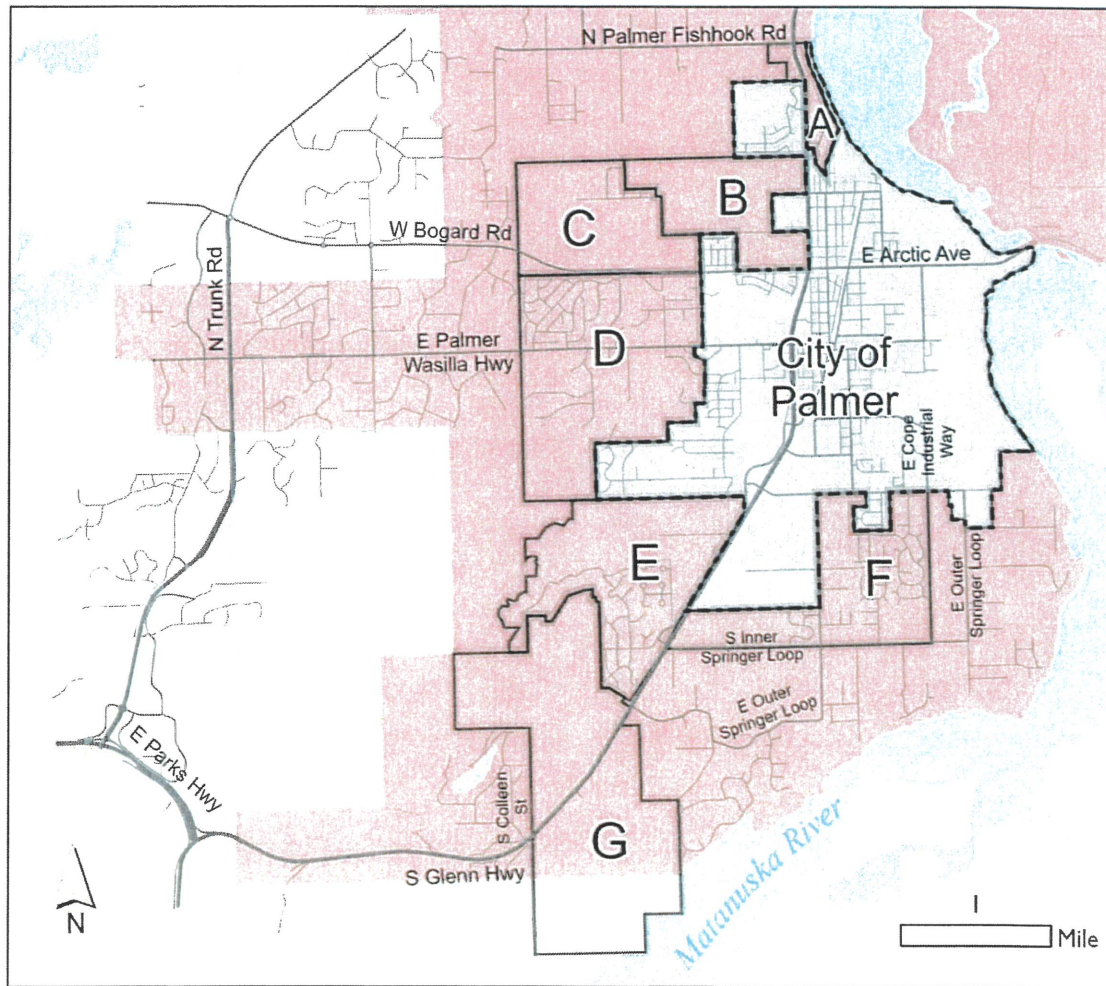
Relatively few responses mentioned Palmer Fire and Rescue. Some respondents saw improvements to Palmer’s fire and emergency response services as a benefit of annexation, in the form of faster fire and emergency response times. These responses also indicated support for the department to access more resources to build, staff and equip new fire station(s) in areas that do not have them. Other responses reflected concerns about the cost of those improvements. A few area community members expressed a preference for the Central Mat-Su Fire Department. But as **Figure 12** shows, all of the areas surrounding the City of Palmer are well within the Greater Palmer Consolidated Fire Service Area. Annexation would not change the service area boundaries.

What would be affected is the ISO rating, and consequently property insurance rates. The Insurance Service Office (ISO) gives a fire score to fire departments and their surrounding communities. The “ISO rating” is meant to reflect how well the local fire department can protect its community and the homes and businesses within it. Insurance companies use the score to help set home insurance rates, so a better ISO rating often translates to lower property insurance premiums. ISO ratings are based on the quality of the local fire department (i.e., staffing levels, training and proximity to fire stations), available water supply (i.e., proximity to hydrants, volume of water available for firefighting), quality of the areas emergency communications system (911), and fire safety education and outreach. ISO ratings go from 1 to 10: 1 is the best possible rating, and 10 means the fire department did not meet the ISO’s minimum requirements. Within Palmer City limits, Palmer Fire and Rescue currently has an ISO rating of 3/3Y (Y notes distance from hydrants). Outside City limits, the Greater Palmer Consolidated Fire Service Area has an ISO rating of 5/10, mainly because of longer distances to a water supply, fire stations, and a limited number of firefighting personnel. Water for firefighting is supplied at a fire station or hydrant. There are currently three fire stations within the Greater Palmer Consolidated Fire Service Area. For ISO rating purposes, a 10 means the residence is more than 5 miles from a fire station. Firefighting personnel include full-time,

part-time or paid-on-call responders. For ISO rating purposes, 3 paid-on-call personnel on a response count as one full-time responder.

Issue	Explanation
Fire and rescue response services	In order to maintain a higher ISO rating throughout the City and any annexed areas, the City may invest in constructing and outfitting a new fire station.
Fire hydrants	The installation of fire hydrants is not dependent on annexation. It depends on the ability of Palmer's Water and Sewer Utility to provide water to the hydrants. Decisions to install and operate fire hydrants may be made on a case-by-case basis.

Figure 12. Greater Palmer Consolidated Fire Service Area



**City of Palmer
2020 Annexation Study**

Date: 1/21/2021 1:33 PM
Source Data: Matanuska Susitna Borough GIS

- City Limits
- Study Areas
- Consolidated Palmer Fire Service Area



Public Works

The Palmer Public Works Department currently employs 15 full-time staff members who provide a maintenance and utility services for the City and greater Palmer community through seven divisions listed below. Although the Department's budget is funded by the City's General Fund, some Department responsibilities are funded through enterprise funds.

Administration Division

The Palmer Public Works Department, Administration Division provides general oversight of all divisions within the Palmer Public Works Department. The division also provides central administrative services for the department, which include managing projects, tracking purchase orders and work orders, and managing financial code entries for department activities and expenses before submitting to the City Finance Department.

Fleet Division

The Palmer Public Works Department, Fleet Division maintains the City's vehicle and equipment fleet, which includes City trucks, police vehicles, fire trucks, dump trucks, snowplows, fuel truck, grader, loaders, generators, etc.

Facilities Division

The Palmer Public Works Department, Facilities Division performs preventive maintenance and light repairs on City buildings and the Palmer Airport.

Parks Division

The Palmer Public Works Department, Parks Division provides maintenance and light repairs for City parks and trails. Palmer's Community Development Department is responsible for parks and recreation planning and operations.

Streets Division

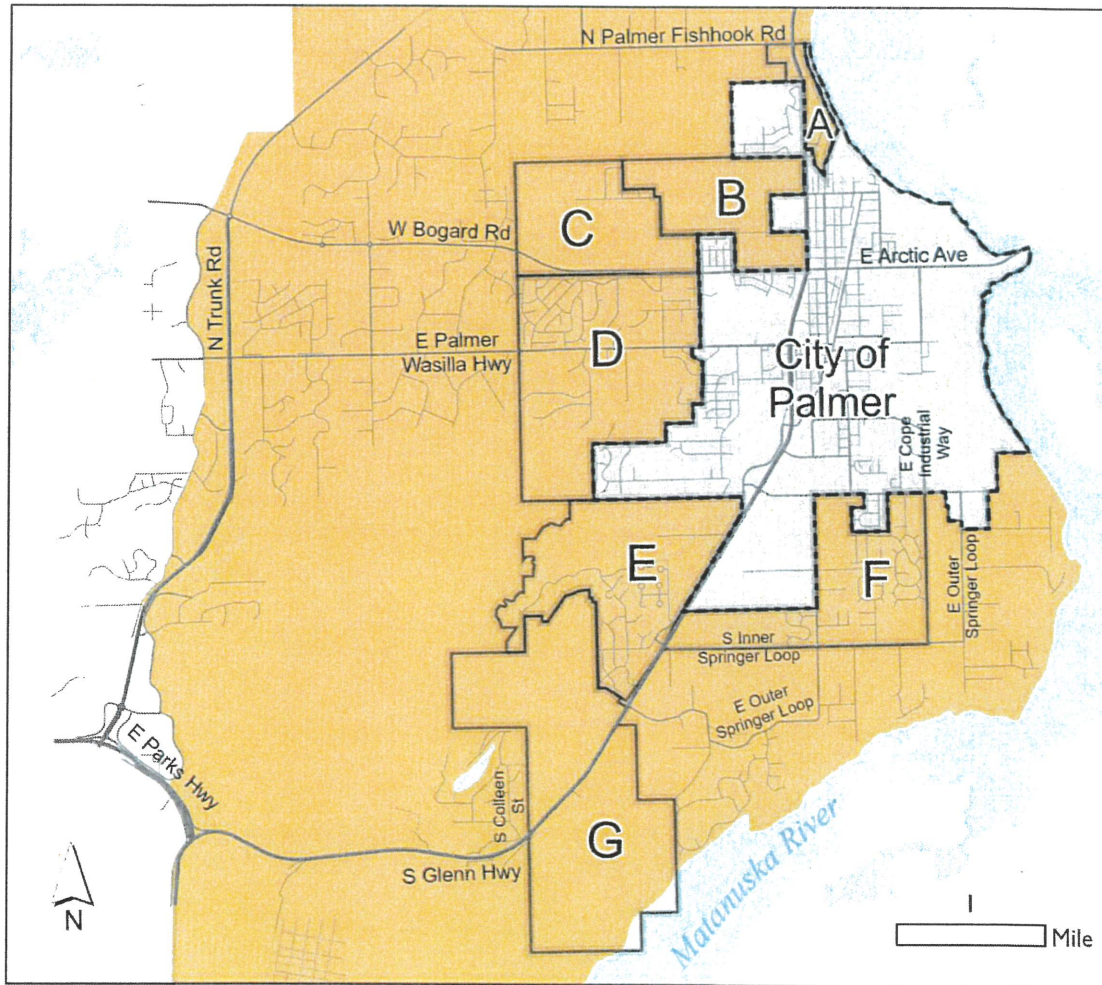
All roads within the City of Palmer are owned by the City, Matanuska-Susitna Borough or the State of Alaska. The Palmer Public Works Department, Streets Division maintains City streets and storm drains, City-owned streetlights and road signs. Street maintenance includes snow plowing and removal, paving, grading and leveling unpaved roads, streetlights. The Palmer Snow Removal Map shows where the Public Works Department prioritizes snow removal on City streets (note: any road designations on the snow removal map that are not marked with a priority level are platted roads that have not been developed).

The City of Palmer Public Works Department maintains all City roads within City limits. Outside of City limits, local roads are under the purview of the Matanuska-Susitna Borough. In the areas around the City of Palmer, Borough roads are maintained by the South Colony Road Service Area (**Figure 13**).

Some area residents view potential annexation benefits to include road maintenance and improvements, particularly streetlights in some neighborhoods. Palmer road maintenance was identified as a benefit of a potential annexation by 53 percent of survey respondents.

Other respondents do not want City road maintenance, nor do they want to pay for it. Some of these responses specifically mentioned concerns that the City cannot provide snow removal as fast as what they are used to now. A few respondents specifically shared concerns about the City's ability to provide snow removal on Scott Road because it requires specialized equipment. A few responses also voiced concerns about the City's ability to find people willing to accept any new maintenance positions unless it raises its salaries and wages for the positions.

Figure 13. South Colony Road Service Area



City of Palmer
2020 Annexation Study

Date: 1/21/2021 1:34 PM
 Source Data: Matanuska Susitna Borough GIS

- City Limits
- Study Areas
- South Colony Road Service Area



Several community members (inside and outside the City) voiced the desire to improve existing City facilities and road maintenance services before annexation, including:

- improving general road maintenance and snow removal;
- paving unpaved roads inside the City of Palmer;
- upgrading paved City roads that are at the end of their life cycle;
- upgrading storm water collection systems; and
- upgrading concrete curb and gutters installed 20+ years ago that are now in disrepair.

The fiscal analysis of this annexation study provides guidance as to the City staff and equipment needed to meet the snow removal and general maintenance needs of an expanded City road system upon annexation. The City would also need to identify adequate snow disposal sites and drainage areas.

Issue	Explanation
Road improvements	Matanuska-Susitna Borough roads annexed into the City would become City of Palmer roads. The City would take over road maintenance from the RSA for the annexed road miles. As the roads age and need to be replaced, the City would bring them to City standards. ¹⁷ Existing City standards suggest that annexed streets in residential subdivisions would eventually be required to have two 12-foot driving lanes with curb and gutter. Sidewalks are not required, but the City may establish Road Improvement Districts to pay for bringing unimproved streets to these standards. Palmer’s road standards require all streets to have a minimum level of street lighting. Decisions about whether to pave roads are usually based on safety concerns and how often they are used. Generally, when the average daily traffic (ADT) on a local gravel-surfaced road exceeds 250 vehicles, the road should be a candidate for paving.
Streetlights	The City would take over any streetlights in annexed areas that are currently owned by the Matanuska-Susitna Borough. Installing streetlights in annexed areas would be part of a City-wide Capital Improvements Plan.
Maintenance to Scott Road	As a state-owned Road, Scott Road would continue to be maintained by the Alaska State Department of Transportation and Public Facilities if the area were to be annexed into the City. It is also common practice for public road maintenance departments to trade snow removal responsibilities for specific roads if it makes the overall service provision more efficient and cost effective. For example, in Anchorage, the State provides snow removal for some larger Municipal roads and in exchange, the Municipality clears snow for some smaller State-owned roads.

Solid Waste Division

The Palmer Public Works Department, Solid Waste Division operates the City’s solid waste collection and disposal services, which are set up as an enterprise fund that generates revenue through collection fees and penalties. Solid waste collection is required by Palmer Municipal Code for all residents (PMC 8.20.010). The City currently provides trash collection for a service area within existing City limits (**Figure 14**). Outside the service area, property owners contract with a private collection service of their choosing.

Palmer currently operates its City solid waste collection service in an exclusive certificate. If the City were to expand its existing service area, it would be required to enter a competitive service area, and all of the City’s public utilities would come under economic regulation by the Alaska Public Utilities Commission (APUC). The City would then be subject to additional administrative State requirements, such as completing extensive rate studies each time any utility rates need to be adjusted. The City is unlikely to change its garbage collection service area in order to avoid the additional administrative work and resulting costs to taxpayers.

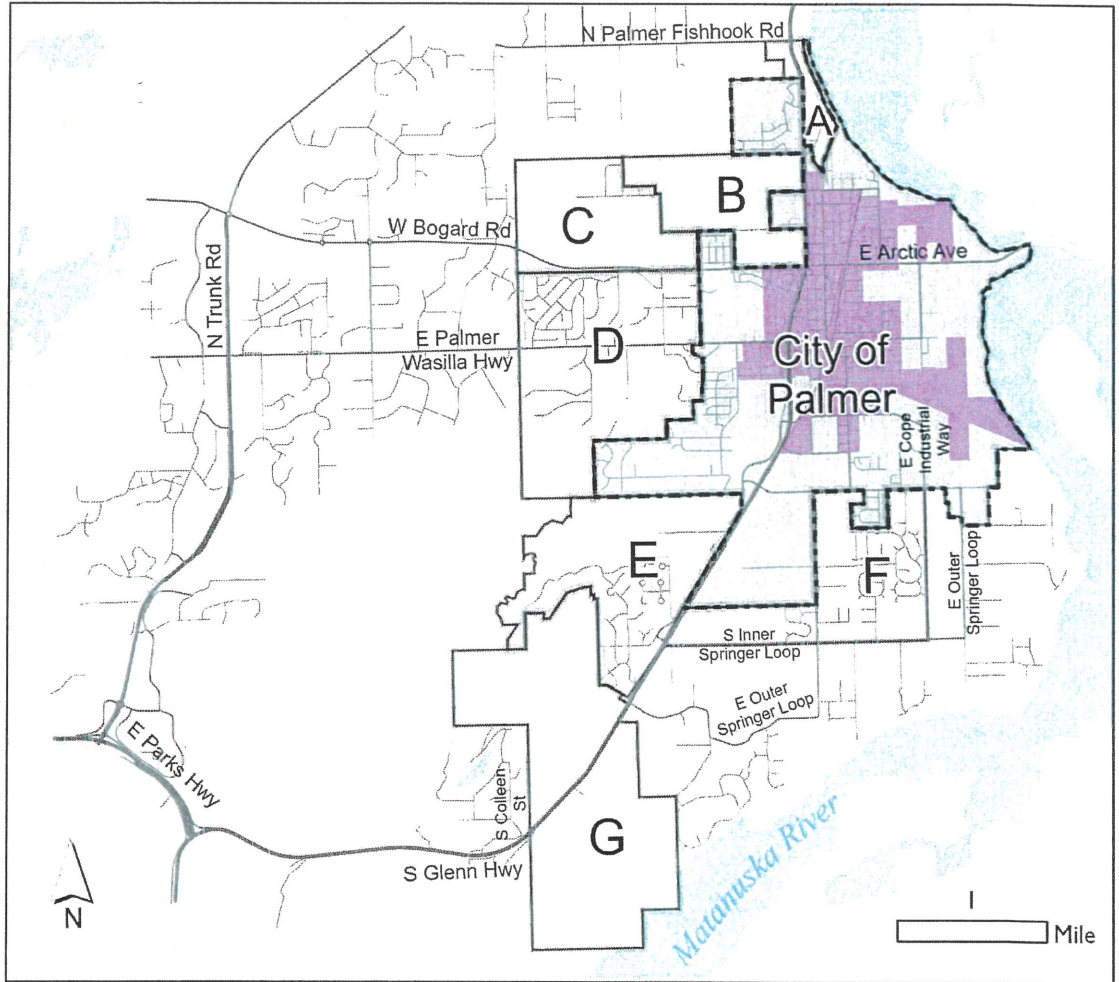
Both City and Palmer-area residents and business owners expressed confusion about the City’s existing policies and requirements for trash collection. Existing City residents voiced a desire for greater clarity about where properties receive City trash collection and where they are required to contract with a collection service.

The City’s existing policy to require garbage collection service was considered a detriment by 61 percent of survey respondents. Open-ended survey responses that mentioned City garbage collection were mixed. Some respondents want City garbage collection, including existing City residents who live outside the City’s current garbage collection service area. One respondent voiced concern that expanding the current trash collection service area would trigger state regulation of City utilities by forcing the City to enter a competitive service area. Other respondents within the City and outside the City prefer to either

¹⁷ City of Palmer. *Road Standards*. Accessed February 5, 2021 from: www.palmerak.org/public-works/page/standard-specifications-and-development-standards.

contract with another provider or haul their own trash. In the study areas, respondents generally want to be able to choose who and how garbage is dealt with. Some responses voiced concern that trash collection would become more expensive if land is annexed.

Figure 14. City of Palmer Refuse Collection Service Area



**City of Palmer
2020 Annexation Study**

Date: 1/21/2021 1:33 PM
Source Data: Matanuska Susitna Borough GIS

- City Limits
- Study Areas
- Refuse Collection Service Area



Issue	Explanation
Solid waste collection and disposal	Property owners in annexed areas would not be required to have solid waste collection service from the City of Palmer, but under existing City policy, may be required to contract with a private collection service of their choice. To better accommodate the desire for greater flexibility in waste management, the City of Palmer could review and amend code. Like Palmer, the Municipality of Anchorage requires municipal garbage collection within a specified service area (AMC 26.70.030), but Anchorage Municipal Code does allow the city manager to exempt a person from the requirement if that person requires solid waste collection and disposal service that cannot be provided by the Municipality. Unlike Palmer

Issue	Explanation
Burning trash on premises	Municipal Code, Anchorage Municipal Code does not require garbage collection by a private provider outside this service area. Inside the City, Palmer Fire & Rescue may issue Class A, B or C burn permits for open burning of woody debris or fields of grass on parcels of at least two (2) acres or more, upon approval by the Fire Chief or his designee. ¹⁸ All other types of refuse would be disposed of according to Palmer Municipal Code Chapter 8.20 (Garbage Collection and Disposal).

Water and Sewer Division

The Palmer Public Works Department, Water/Wastewater Division operates the City's Water and Sewer Utility, which is set up as an enterprise fund to provide piped water and sewer services. The Utility's revenue comes mostly from connection, disconnection and service fees charged to customers. The Palmer Water and Sewer Utility may provide these services within a certificated service area that extends far beyond the City's boundaries (**Figure 15**).

City water and sewer service regulations are found in Palmer Municipal Code (PMC) Title 13, PMC 8.12.010 and PMC 8.16.010. PMC allows the Utility to extend piped services to properties outside City limits upon approval by the Palmer City Council (PMC 13.08.070). The utility already provides piped water to a small number of customers located outside existing City limits. Within City boundaries, PMC generally requires that properties be served by the utility if practical. If determined to be impractical, City code allows properties to be served by a City- and State-approved onsite system, such as well and septic (PMC 13.08.030, 13.16.025, and 13.16.030).

Annexation would not give the City more authority or oblige it to provide water and sewer service to property within the service area. The City would continue to evaluate new service additions on a case-by-case basis. Annexation would not change the status of any existing private water or sewer utilities in any annexed area.

Open-ended responses that mentioned water and sewer services were mixed. Respondents who saw potential annexation benefits expressed support for City planning to prevent ground water problems, as well as support for limiting septic systems in future for public health reasons. Some respondents voiced a desire to have water and sewer extended to their property; others expressed preferences for their existing onsite or community well and septic systems. Some respondents brought up concerns about the cost of extending and hooking up to piped water and/or sewer.

"I've heard it could cost each home up to \$20,000 for city sewer and water if we are annexed."

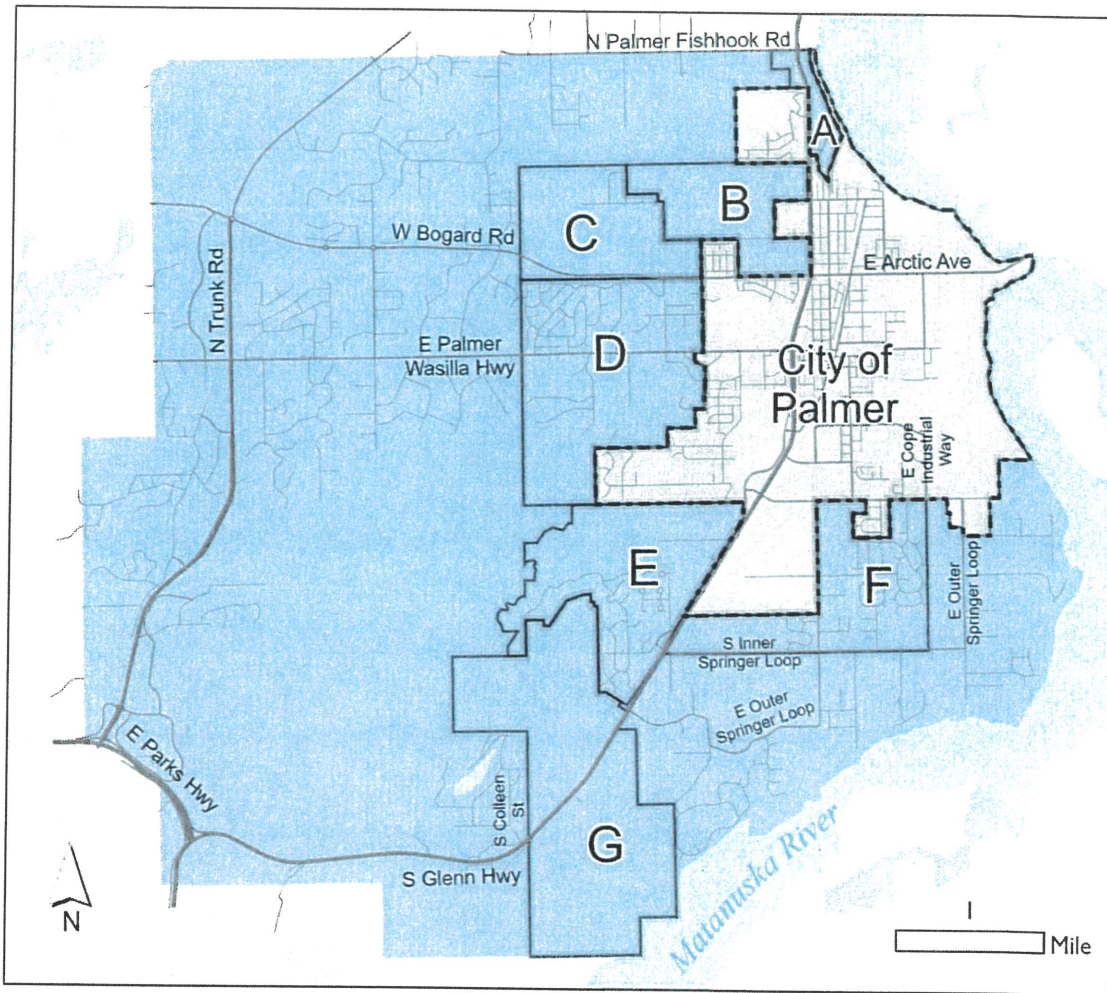
"I just paid for a new septic install. I would be unhappy about having to pay to hook up to sewer now."

A few respondents questioned whether the City would take over servicing their subdivision's community well and septic if annexed. Responses reflected both frustration about the City refusing to take over a community well, while another HOA wants to maintain ownership and control of the community well.

Farmers voiced special concerns about whether they would have to pay for City water or be able to maintain their private wells (discussed under Farms). One respondent voiced concern that an annexation would require the City's water and wastewater plants to be expanded, with limited capacity to do so at the current wastewater plant."

¹⁸ Palmer Fire and Rescue. *Burn Permits*. Accessed February 5, 2021 from: www.palmerak.org/fire-rescue/page/burn-permits.

Figure 15. Palmer Water and Sewer Utility Service Area



City of Palmer
2020 Annexation Study

Date: 1/21/2021 1:34 PM
Source Data: Matanuska Susitna Borough GIS

- City Limits
- Study Areas
- Utility Service Area



Issue	Explanation
Water and sewer service	The extension of piped water and sewer services would be unaffected by annexation. The City would continue to evaluate new piped service additions on a case-by-case basis. ¹⁹
Well and septic systems	Matanuska-Susitna Borough code establishes minimum lot sizes for well and septic systems, consistent with Alaska Department of Environmental Conservation (ADEC) requirements for drain fields and separation distances for well and septic (Chapter 43

¹⁹ Palmer Municipal Code provides guidance about where and when connection to the city water and sewer system would be required in:

- PMC 13.08.030 Water and sewer connections – required when – septic tank specifications
- PMC 13.16.025 Water supply system
- PMC 13.16.030 Sanitary sewer system

Issue	Explanation
<p>Palmer’s wastewater treatment plant is under a Department of Justice consent decree.²⁰</p>	<p>Subdivisions, MBC 43.20.281 Area). Generally, a lot must be 40,000 square feet or greater to have onsite water and septic, 20,000 square feet or greater if served by either City piped water or sewer, and a lot can be smaller than 20,000 square feet if served by both City piped water and sewer.</p> <p>In the City of Palmer, residential lots of 20,000 square feet or larger are generally <i>not</i> required to connect to the city’s piped water and sewer system (PMC 13.16.025 and PMC 13.16.030), nor are new buildings constructed more than 150 feet from the city’s existing piped system (PMC 13.08.030). Palmer’s code allows well and septic systems as long as they meet ADEC standards and approval.</p> <p>Palmer Water and Wastewater Utility operations would be unaffected by annexation. A consent decree is an agreement or settlement that resolves a dispute between two parties without admission of guilt or liability. Under a 2016 consent decree, the Palmer Water and Wastewater Utility committed to extensive upgrades of the Palmer Waste Water Treatment Plant to correct alleged violations of its National Pollutant Discharge Elimination System (NPDES) permit and payment of a civil penalty of \$192,162 to the United States and State of Alaska. The consent decree was driven by tightened Environmental Protection Agency regulations designed to protect Matanuska River salmon spawning grounds. A new Palmer Waste Water Treatment Plant was constructed in 2017 and has been in operation since 2018.</p>

Governance

Annexation allows more Palmer-area residents to have a voice in City governance by extending the ability to vote in City elections, to run for office and to serve on Boards and Commissions to annexed areas. Residence inside City limits is required to vote in City elections, run for a City office, or to serve on some boards and commissions. Palmer Municipal Code requires that:

- a person be a resident of the city for at least the preceding 30 days to vote in City elections (PMC 18.10.010).
- a person who wants to run for city office be a qualified voter of the city and meet state and city requirements for the office (PMC 18.15.010).
- a person reside in the City to serve on the Planning and Zoning Commission (PMC 2.20.010).
- a majority of Parks and Recreation Advisory Board members reside in the City (PMC 2.22.010).
- at least two members of the Airport Advisory Commission reside in the City (PMC 2.25.020).
- at least two members of the Board of Economic Development reside in the City (PMC 2.30.010).

City zoning, regulations and ordinances would be applied in annexed areas, which is viewed as a benefit to some but a challenge to others. A successful annexation may ultimately involve changes to Palmer’s zoning and other regulations that would otherwise effectively prohibit a number of residential, business and agricultural practices that commonly occur in the areas outside City limits. In this case, the City may consider allowing certain practices in some areas of the city and not in others.

²⁰ United States Justice Department. “*Notice of Lodging of Proposed Consent Decree Under the Clean Water Act: A Notice by the Justice Department on 09/12/2016*,” Federal Register. Accessed February 9, 2021 from: <https://www.federalregister.gov/documents/2016/09/12/2016-21855/notice-of-lodging-of-proposed-consent-decree-under-the-clean-water-act>.

Rockey, Tim. “*Waste water treatment plan up and running*,” Frontiersman Sep 19, 2018. Accessed February 9, 2021 from: https://www.frontiersman.com/news/waste-water-treatment-plant-up-and-running/article_3046dfa2-bc3d-11e8-9b58-9b23af2f166c.html.

Key Findings

Some area residents see benefits to annexation from having more of a voice in local government, a wider pool of eligible candidates to run for public office, and a more involved voter base. 60 percent of survey respondents view the ability to vote, run for City offices, and/or serve on Palmer City Council, boards and commissions as a benefit of a potential annexation. Public engagement activities revealed some confusion among area residents about where existing City boundaries are; some areas around the edges of existing City limits may already be so entwined with City life and development that people who are actually outside City limits believe they are living within the City. Within the City, some residents voiced the desire for better enforcement of certain existing city regulations, mostly related to the use and upkeep of neighboring property.

Residential and Lifestyle

There are significant lifestyle differences between areas inside City and outside the City limits that were reflected in community comments about the City's regulations. Among open-ended survey responses, only two percent mentioned regulations as benefits, whereas 29 percent mentioned regulations as concerns. As benefits, responses mentioned land use and/or building regulations as a way to manage growth and protect Palmer's small-town character. A few responses mentioned a sense of everyone following the same rules as a benefit, especially for code compliance or law enforcement. The main concerns about city regulations stated a general desire to minimize any governmental rules, the desire to be able to use firearms and off-road vehicles; burn trash, have fire pits and set off fireworks on their property, and keep a variety of animals on their land. Responses about actions the City could take overwhelmingly reflected the desire to grandfather or make regulatory allowances to retain existing lifestyles and businesses.

Use of Firearms. Responses included suggestions to allow hunting (generally and small-game hunting), target practice on property, and access to hunting grounds. Respondents also expressed the desire to be able to continue using private rifle/shooting range(s), including the existing gun range that operates in Study Area G.

Use of Off-Road Vehicles. Responses included suggestions to allow off-road vehicles (e.g., ATVs, snow machines) to be licensed for road use. One respondent specifically mentioned wanting to drive off-road vehicles on Bogard Road.

Burn Trash, Firepits and Fireworks. Responses included suggestions to allow burning waste, having backyard firepits and setting off fireworks on private property. A few comments specifically mentioned wanting burn permits with the same allowances as they are currently granted by the Mat-Su Borough.

Animals. Responses indicated the desire to have a variety of type and number of animals on their property. Respondents specifically mentioned livestock on farms or hobby farms, e.g., goats, chickens (including roosters), cows, horses, bees.

"Many of these areas have people with more than a few chickens. And they depend on them for food or money from egg sales. Same with other livestock. Making it a city would really harm these practices and people will move farther."

Responses also included suggestions for different rules for dogs, including:

"Maintain the four-dog limit; four dogs is okay if there are no other animals."

"Allow permits and inspection for more than two dogs for small dog kennels. No more than 10 dogs."

"Allow dogs to run free."

Other Regulations. Responses indicated a strong lack of support for building codes and permits for sheds, decks, storage buildings; the City's garbage collection requirement; and any requirement to

connect to the City’s piped water-sewer utility if a property is served by functioning well and septic. One response mentioned a lack of support for a mask ordinance. Responses did indicate support for regulations to address homelessness and to allow private wells, especially on farms. Responses reflected a mix of support and objection to allowing businesses such as marijuana dispensary (and cannabis tourism), a strip club and pawn shop. Suggestions to improve regulations included:

- Enforce quiet hours from the quarry
- Revisit requirements concerning agricultural practices (e.g., noise, smells, land use, number and size of animals allowed on the property)
- Allow well and septic
- Allow self-haul and privately contracted trash collection
- Flexibility and/or exemptions to building code and permit requirements for small structures (decks, sheds, fences, outbuildings)
- Allow neighborhood roads to not have sidewalks.

Issue	Explanation
Hunting	PMC Chap 9.74.010 Discharge of Firearms prohibits discharging a firearm within city limits, except at permitted practice facilities. Hunting with firearms would not be permitted in annexed areas unless the City amends the Palmer Municipal Code to expand the areas and conditions under which it is an allowable activity. For example, the City of Kenai allows firearms discharge in designated areas of the city only, shown on a Firearms Discharge Map. ²¹ Anchorage and Juneau have helpful webpages describing their rules about hunting and use of firearms within their boundaries. The City and Borough of Juneau permits hunting with regulatory guidelines within its boundaries. ²² It is against the law to discharge a firearm in the Municipality of Anchorage except in designated hunting areas or shooting ranges per Anchorage Municipal Code 8.25.030. ²³
Large equipment/ vehicle parking and storage	Parking for large equipment and vehicle storage is allowed in some Palmer zoning districts by right or with a conditional use permit. See Palmer Municipal Code, Chapter 17 Zoning.
Off Highway Vehicle (OHV) use	ATVs, four-wheelers, side-by-sides, snow machines, motocross bikes and motorcycles, etc. are all considered “Off-highway Vehicles” (OHV) in Palmer Municipal Code. These vehicles are not allowed on public rights-of-way (e.g., sidewalk, street), parkland, or private land without the owner’s permission within City limits (PMC 10.08 Regulation of Off-Highway Vehicles). Off-highway vehicles are allowed to cross public rights-of-way (streets, etc.) following safety guidelines outlined in the code. The City may choose to revisit these regulations if greater use of off-highway vehicles (beyond that allowed by existing code) can be safely accommodated in annexed territories. Some Alaska communities have recreational trails that run alongside main roadways to accommodate off-highway vehicle use, although additional provisions may be needed to allow the vehicles to travel from a residence to designated trails along neighborhood streets.

²¹ City of Kenai. *Kenai Municipal Code 13.15.010 Discharge of firearms*. Accessed February 3, 2021 from: <https://kenai.municipal.codes/KMC/13.15.010>.

City of Kenai. *Firearms Discharge Map*. Accessed February 3, 2021 from: http://www.kenai.city/sites/default/files/fileattachments/police/page/3111/firearm_discharge_in_city_limits_map.pdf.

²² City and Borough of Juneau. *Hunting on CBJ Property*. Accessed March 9, 2021 from: <https://juneau.org/lands/hunting>.

²³ Municipality of Anchorage. *Firearms – FAQ*. Accessed March 9, 2021 from: <https://www.muni.org/Departments/police/HowDoI/Pages/FIREARMS.aspx>.

Issue	Explanation
<p>Issues with animal restrictions</p>	<p>Palmer Municipal Code Title 6 regulates animals within the City. The code limits the legal number and type of domestic pets and farm animals, defines animal cruelty rules, restrictions on animal noise, odor, ability to free-roam, and where and how animals can be buried.</p> <p>Dogs: Up to three dogs are allowed in the City on a given parcel of land. This restriction does not apply to land zoned for agriculture or if the parcel is larger than an acre and the animal does not go within 25 feet from an exterior lot line. City code does not allow dogs to run free (PMC 6.08.065 Animals at large). The City could review and consider amending the code to allow up to four dogs on parcels less than one acre and/or off-leash dogs in designated areas within City boundaries.</p> <p>Chickens: Up to five “domestic birds” are allowed on a given parcel of land (PMC 6.08.020.C); domestic birds include female chickens but not roosters (PMC 6.04.010). This restriction does not apply to land zoned for agriculture or if the parcel is larger than an acre and the animal does not go within 25 feet from an exterior lot line.</p> <p>Cows (Cattle), Horses and Goats: These and several other animals are allowed to be kept if the land is zoned for agriculture or if the parcel is larger than an acre and the animal does not go within 25 feet from an exterior lot line (PMC 6.08.020.A).</p> <p>Bees: Bees are permitted on land zoned for agriculture (PMC Chapter 17.57 AG Agricultural District). The City could review and consider amending the code to allow bees on land in one or more residential zoning district(s); the agricultural zoning also allows for a single-family residential dwelling.</p>
<p>Burning trash on premises, fire pits and fireworks</p>	<p>The Matanuska-Susitna Borough directs residents to the Alaska Division of Forestry to issue burn permits outside City limits. Fireworks are prohibited in the Matanuska-Susitna Borough, with the exception of New Year’s Eve.²⁴</p> <p>Inside the City, Palmer Fire & Rescue may issue recreational burn permits for fire pits and Class A/B/C burn permits for open burning of woody debris or fields of grass, upon approval by the Fire Chief or his designee.²⁵ The City could review and amend code to if needed. One example would be to expand the allowances for burn permits on parcels of five or more acres in newly annexed areas. The Municipality of Anchorage allows recreational or ceremonial fires as long as they are done according to regulatory safety standards and obtain a burn permit if necessary. However, burning trash, yard debris, leaves, construction material, and/or woody debris is prohibited within the municipality.²⁶</p> <p>Palmer Fire & Rescue may also issue permits for commercial fireworks displays inside city limits. PMC 8.42 outlines the regulations for fireworks inside city limits. Fireworks can be used by private individuals without obtaining an application on New Year’s Eve from 9 p.m. to 1 a.m. per Palmer Municipal Code 8.42.010.</p>

Businesses and Economic Development

Responses that mentioned businesses and economic development included a range of support for potential benefits of annexation and concerns about how an annexation would affect business operations in annexed areas and inside the City. Some respondents view annexation as a way to support private business development. Others concerned that people who own business but don't live in Palmer don't

²⁴ Matanuska-Susitna Borough. *Code Compliance*. Accessed February 9, 2021 from: <https://www.matsugov.us/codecompliance>.

²⁵ Palmer Fire and Rescue. *Burn Permits*. Accessed March 4, 2021 from: www.palmerak.org/fire-rescue/page/burn-permits.

²⁶ Municipality of Anchorage. *Recreational and Cooking Fires*. Accessed March 9, 2021 from: <https://www.muni.org/Departments/Fire/Wildfire/Pages/RecreationalandCookingFires.aspx>.

have a voice. Responses also included concerns that City officials would not be willing to allow big businesses to be established in annexed areas.

Business responses included concerns about the impact of taxation (present and future) and City regulations on the ability to do business. Some businesses expressed concerns about having to have more license(s), more fee(s), and another set of quarterly paperwork to complete and submit. Some businesses voiced concerns that because they compete against businesses located in areas that do not have a sales tax, collecting the Palmer sales tax would make them less competitive, and they could lose a large amount of business. Business responses also included concerns that owners of annexed property would pass cost increases to the lease holder operating a business on the property, and that annexation could cause job losses and/or drive businesses away. Business owners seek protection under current economic hardships (i.e., due to COVID-19 restrictions) and to be allowed to continue operation.

Responses included a request for information about the long-term effects of annexation on businesses in the annexed areas, about the financial impact to businesses and how that might affect current and potential future business in the city. One respondent voiced concern about whether growth associated with annexation would create high wage jobs (e.g., medical support) or low wage jobs (e.g., big box retail).

Survey responses reflected a mix of interest in and concern about annexation causing an increase in the number of City jobs. Some respondents voiced support for more City jobs, though others expressed concerns that City of Palmer employees are not paid competitive salaries/wages and question whether the City could attract qualified people to fill new positions at current pay levels.

Farms

"We own a farm on the Springer system, and I'm scared. Historically when farmland is annexed it is a few short years before farmland is sold to developers. Cities need a tax base and farms are big open spaces where nobody lives to spread out the tax burden so what happens is cities start taxing what is produced on farms until farms can't afford to stay in business and sell out to developers. If Palmer values its roots and colony heritage, it will not annex any farmland. The pressures will be too great, and farms will go away." – Anonymous, annexation survey response

The quote above illustrates some of the concerns expressed about the loss of existing and historical farmland to development in the Palmer area. Farmers want to be able to maintain pastureland and livestock, and residents generally treasure Palmer's agricultural character and heritage. At the same time, Palmer continues to experience growth in residential and commercial development, increasing development pressure. It is not clear that annexation would affect the pace of real estate development and re-development in the Palmer area, although the City has more land use tools than the Borough to manage growth that does occur within its boundaries.

The land use conflicts that occur between residential subdivisions and farmland result from the kind of unplanned development that City land use regulations are intended to reduce, avoid or address. For example, if a residential property owner is concerned about heavy equipment being stored in the residential yard of a recently subdivided farm property, the City can enforce zoning regulations that allow or disallow the activity within City limits.

The City's Agricultural zoning (PMC 17.57) may offer some protection for agricultural land uses inside the City. Some of the City's other zoning districts allow for smaller-scale or hobby farming uses, such as Limited Commercial District (PMC 17.28) or Rural Residential District (PMC 17.54). Agricultural property is usually assessed at a lower property value to recognize the use. The Matanuska-Susitna Borough already recognizes some parcels as agricultural in their assessment records. One farmer expressed concern that agricultural zoning could reduce flexibility to subdivide and sell the property at a later date, should they choose to do so. The land would have to be rezoned if a buyer were to redevelop the property for a different use, and that could lower the potential sales value of the land. When thinking long-

term about their financial or business management, farm property owners could view this as an unwanted depreciation of their primary business asset.

In general, farmers in the Palmer area voiced a desire to feel greater support from the City of Palmer for agriculture, including actions that are unrelated to annexation. For example, one suggested that the City could sell or transfer some of the land it owns to the Alaska Farmland Trust to preserve for agricultural use. Addressing these issues is beyond the scope of this study. Survey responses included suggestions for the City to adopt Right-to-Farm laws and/or publish regulations, protections and changes to city policy involving farmland to ensure the preservation of farmland and agricultural practices, including encouraging the creation of more agricultural businesses. State and Federal Right to Farm Acts are designed to prevent unfair taxation and regulations that would be detrimental to farming.

Responses also included suggestions to exempt agricultural land from mandatory trash collection, building permits for storage buildings, and eliminate monthly reporting requirement for sales taxes. One respondent suggested that the City "keep the R7 rating so agriculture can continue without being impacted by placing farmland in competition with new subdivisions." Another respondent commented that the size and/or type of lots should be treated differently regarding allowances for animals. Respondents also mentioned concerns about the number and size of animals allowed, building codes/permits for outbuildings, road accesses, and the ability to maintain private well and waste management on the property. One respondent estimated the amount of water used for farm operations (up to 5,000 gallons per day) to estimate the cost impact to the farm if it had to purchase City water.

Issue	Explanation
Agricultural zoning, including setbacks for farms	PMC 17.56 Agricultural District would be applied to farmland. Currently, structures must have a 25-foot setback in front or rear yards, with a minimum of 6 feet for a side yard and 10 feet for a corner-lot side yard. Fences may be a few inches inside the property line unless fencing animals/livestock.
Livestock and farm animals	<p>Title 6 of Palmer Municipal Code regulates animals, including residential pets as well as livestock on farms. PMC 6.08.020 Animal Restrictions allows livestock on land zoned Agricultural or on a lot larger than one acre, provided they are not closer than 25 feet from the property line. It also allows for livestock on the premises of a permitted slaughterhouse for up to 72 hours.</p> <p>Conflicts may still arise for farmers with livestock due to noise (PMC 6.08.050) or odor from animals (PMC 6.08.060). City code currently prohibits a person to allow offensive noise or odor from animals on their property. Farms with livestock can be the source of noise and/or odors that residential neighbors may find offensive. Although Right to Farm laws will protect farm operations, the City may want to consider farm-specific provisions in PMC to support agriculture.</p> <p>Another possible conflict may be for homeowners that do not run a farm as a business but do conduct small-scale agricultural activities on their property. Agricultural zoning might not be appropriate for a primarily residential property that also engages in hobby farming, bee-keeping, etc. mainly for personal consumption.</p>
Farm waste management	Palmer's Agricultural zoning (PMC 17.57 AG Agricultural District) does not address onsite waste management. PMC Chapter 8.20 Garbage Collection and Disposal suggests the City would require a farm located outside the City's waste collection service area to contract with a private contractor to haul waste that cannot be safely and legally disposed of onsite. If it becomes a problem or nuisance, the City could review its policies to provide guidance specific to farms.
Guns on farms	PMC Chap 9.74.010 Discharge of Firearms prohibits discharging a firearm within city limits, except at permitted practice facilities. In the event that a farmer would have to fire a gun to protect livestock/crops from bear or moose, State rules about defense of private

Issue	Explanation
	property would supersede city code against discharging firearms. The City could review Palmer Municipal Code (which does not specifically address the use of a firearm to harvest or euthanize livestock) and consider amending it to expand the areas and conditions under which it is an allowable activity. For example, the City of Kenai allows firearms discharge in designated areas of the city only, shown on a Firearms Discharge Map. ²⁷
Vehicle storage on farms	Vehicle storage is allowed as a conditional use on agricultural zoned land; it requires conditional use permit (PMC 17.56.040).
Drilling wells	Well drilling would be unaffected by annexation. ADNR issues permits to appropriate water, which would be required for the volume of water needed for agricultural operations. ADEC regulates drinking and wastewater (18 AAC 80 Drinking Water, 18 AAC 72 Wastewater). The City of Palmer does not require a building permit to drill a well.
Pesticides, fertilizers, disposal of animal carcasses, manure management	These activities would be unaffected by annexation. ADEC (Division of Environmental Health, Solid Waste program) regulates the application of pesticides, fertilizers, disposal of animal carcasses, and manure management (AS 46 and 18 AAC 60). Annexation would not affect fertilizer application fees.
Property taxes	Farms would pay property taxes to the City of Palmer instead of the Borough non-areawide property taxes. Farms would still pay Borough areawide property taxes. Annexation would not change the assessed value of farm property. State and Federal farmland use tax deferments would be unaffected by annexation. State agricultural law enables tax deferment for some of the property tax burden if 10 percent of the farmer's gross income comes from farming (AS 29.45.060). State law requires local governments to assess and tax farmland at its value for farm use only (not what it would be valued if developed into residential subdivision). If converted to another use, the landowner may be liable for additional tax. IRS Publication 225 provides information about Federal tax law for farms.
Sales taxes	Farms would collect the City's 3 percent sales tax (with a cap of \$1,000 per item/service). The new "online sales tax" would only affect residents or businesses that purchase from participating online retailers (e.g., Amazon.com). The City of Palmer's participation in the Uniform Alaska Remote Seller Sales Tax ²⁸ would require remote sellers (e.g., Amazon.com) to charge a sales tax on orders to addresses within the City. Collections for the City of Palmer began in March 2020. State and local taxes (SALT) are generally allowed as a Federal tax deduction, although the details are subject to change each tax year. The City could review and consider changing its sales tax reporting requirements and/or include locally grown produce among its sales tax exemptions (PMC 03.16.050).
Business license	Farms would pay \$25/year for a Palmer business license.
Building permits, fees and codes on farms	The City of Palmer requires building permits and code compliance for building construction, signs and fences. Unless the City changes Palmer Municipal Code, these would apply equally to farms as other types of property within the City. Building permits, fees and codes are discussed on under Planning and Growth Management.

²⁷ City of Kenai. *Kenai Municipal Code 13.15.010 Discharge of firearms*. Accessed February 3, 2021 from: <https://kenai.municipal.codes/KMC/13.15.010>.

City of Kenai. *Firearms Discharge Map*. Accessed February 3, 2021 from: http://www.kenai.city/sites/default/files/fileattachments/police/page/3111/firearm_discharge_in_city_limits_map.pdf.

²⁸ The Alaska Remote Seller Sales Tax Commission provides more information about the tax: <http://arsstc.org/>

Issue	Explanation
Special Assessments	A Special Assessment is essentially an additional increment of property tax levied to a group of property owners that benefit from a specific capital improvement or infrastructure project. Both Borough and City Codes allow special assessments to be created. Matanuska-Susitna Borough Code (Chapter 3.28 Special Assessments) allows property owners to create Local Improvement Districts (LIDs) to finance infrastructure for a group of benefitting property owners. Palmer Municipal Code (Chapter 3.08 Special Assessments) allows Palmer City Council or a group of benefitting property owners to create special assessment districts to finance capital improvements. The City would have a role in determining and enforcing assessment rules. As citizens, annexed farmers would have more say in City Council decisions about Special Assessments.
Conflicts with Neighbors	Annexation would not affect conflicts with neighboring property owners from noise and smells due to livestock, application of manure as fertilizer, farm machinery, etc. State right-to-farm laws protect farmers in these cases, and City planning and land use tools can also help mitigate some of these conflicts.
Soil protection	Annexation would not affect soil protection. The State Department of Agriculture encourages State Farm Conservation Plans and/or Soil and Water Conservation Plans. City planning and land use tools can help support soil conservation measures.
Easements and/or Eminent Domain	Eminent Domain is the right of a government or its agent to take private property for public use, with payment of compensation. Governments usually avoid using Eminent Domain if at all possible, because of the public relations damage it often does. Public easements are more common; they only grant permission to use some area of land, often for a particular purpose, such as making public infrastructure improvements. Infrastructure improvements are made by the City of Palmer, the Matanuska-Susitna Borough, the State of Alaska and private utilities; they will happen regardless of whether the land is inside or outside city boundaries. The City can adopt a preferential policy to route public infrastructure improvements around rather than across farmland where feasible, but not all future circumstances can be predicted, nor does the City necessarily have any power to control the outcome where State or Borough improvements are being made.

Other Businesses

Public outreach revealed some support for annexation because it will open more business opportunities. One respondent voiced interest in attracting national chains, auto/truck dealerships, a movie theater and shopping mall to Palmer. Another respondent suggested that Palmer should have a strip club and allow pawn shops within the City. One respondent suggested allowing small kennels of up to 10 dogs.

A number of community members expressed concerns about the costs associated with building codes, building permits and inspection fees in real estate development. Some responses expressed concern that Palmer-area business owners have little say in City decision-making unless they are also residents. Others shared concerns about being annexed during current economic hardship (due to COVID-19) as well as the general administrative and financial impact that City licenses, fees, taxes and regulations would have on businesses.

Public input also revealed the need for clarification about the impacts of annexation to specific types of businesses. Responses included concerns about the impacts of annexation to landlords (e.g., how much sales tax they would have to pay) and that zoning would prohibit certain home businesses. Responses also included support for maintaining private gun range(s).

Responses included support for regulating the gravel pits/quarry to enforce quiet hours and "make the midnight gravel train go away." When a materials extraction operation closes, local government may also have an interest in working with the landowners to determine an appropriate use for the mined land. If the

future land use is not addressed proactively, the closed mining operation could become a detriment to the community.

Marijuana businesses were legalized within the City of Palmer by municipal vote in October 2020. Responses indicated mixed support for allowing marijuana businesses: a few respondents suggested allowing dispensaries within the City and developing cannabis tourism, while one voiced concern that there are too many cannabis businesses in the Valley already and that the regional market cannot support them all.

Issue	Explanation
Zoning for mixed use properties with home-based businesses.	<p>When the City develops an annexation petition, it will work with landowners to identify the appropriate zoning. If the property is primarily residential use, a residential zone will apply. The City's residential zoning codes may allow a home-based business as long as none of the buildings are exclusively for commercial use. PMC Title 17 Zoning includes several Residential Districts.</p> <p>Some mixed-use properties would fit Palmer's Rural Residential District (PMC 17.54), which would allow home occupations and farming as an accessory use. This zoning designation requires a conditional use permit, with restrictions for excessive noise, traffic, or other impact to the neighborhood. Significant on-street parking or deliveries that disrupt residential neighborhoods would not be permitted.</p> <p>A mixed-use property could also be zoned Limited Commercial District (PMC 17.28), which restricts the type of commercial activity on the property.</p> <p>If no zoning adequately fits the property, the City may consider amending a zoning district, creating a new zoning district, grant a conditional use permit or grandfather (i.e., legally non-conforming) the property to accommodate land uses.</p>
Business license for home-based businesses	<p>All businesses operating within City limits must register a business license with the City. One license covers all locations. The City has separate categories of licenses for door-to-door sales, mobile itinerant vendors (i.e., food truck) and for businesses conducting sales at the State Fair or other special event(s).</p>
Gun range	<p>The City may issue permits to gun clubs for practice in facilities that meet NRA safety recommendations (PMC 9.74.010 Discharge of Firearms).</p>
Landlords	<p>Palmer's zoning code (PMC Title 17) contains specific regulation and standards for real estate rental, depending on the nature and scale of the rental. The City provides guidance specifically for landlords.²⁹ Landlords and property managers must have a City business license (a cost of \$25 per year) and collect the City's 3 percent sales tax on rents up to the first \$1,000 of each rental unit (PMC 03.16.040 (F)). Property manager fees are a taxable service. The City requires a landlord agreement for each property, found on the City website (see footnote). Other City fees may apply to specific activities, such as obtaining building permits to build or renovate rental units.</p>
Bed and Breakfasts	<p>Regulation: Palmer's zoning codes (PMC 17.89 Short-Term Rentals) include regulation and standards for bed and breakfast-style lodging.</p> <p>Taxes: The Matanuska-Susitna Borough currently collects a bed tax of 5 percent on businesses that provide traveler accommodations (MSB Code Chapter 3.32 Transient Accommodations Tax). Annexed hospitality businesses would continue to pay the Borough bed tax. The City of Palmer does not currently collect a bed tax on hospitality businesses. These businesses would only be responsible to the City for collecting City sales tax.</p>
Materials extraction	<p>If annexed, existing materials extraction (e.g., gravel pits) would be granted legal nonconforming status. Starting a new extraction within City boundaries requires an</p>

²⁹ City of Palmer. *Landlord and Property Manager Information*. Accessed February 4, 2021 from: www.palmerak.org/finance/page/landlord-and-property-manager-information.

Issue	Explanation
	<p>approved Conditional Use Permit and is only permitted on land zoned Industrial to ensure minimal impacts to neighboring uses. The City would still have to address the process of converting depleted sites to new uses.</p> <p>The City does not currently have a severance tax. The City may consider implementing a severance tax on materials extraction, although the City has no intention to impose significant new taxes. The City would have to consider the maturity of existing extraction operations and how long a severance tax could be a reliable revenue source.</p>
Marijuana businesses	<p>Marijuana establishments are allowed within the City of Palmer; they are regulated by Palmer Municipal Code, Chapters 5 Licensing and Standards, 8 Public Health and Safety and 17 Zoning. In the October 6, 2020 election, City of Palmer voters passed Proposition 1, repealing PMC 5.32.020, which previously banned (non-cultivation) marijuana businesses inside city limits. Hemp cultivation and production is allowed per state law, and does not require this license. Marijuana licenses cannot be transferred to a new location (only to a new owner), and there are not a limited number set in statute. Cities can set limits on the number of marijuana licenses.</p>
Dog Kennels	<p>Palmer Municipal Code allows boarding kennels as a permitted use on land zoned BP Business Park District (PMC Chapter 17.58) in a completely enclosed building; an outdoor exercise yard is permitted. The size of kennels is not mentioned in code.</p>

Projected Annexation Impacts by Study Area

Study Area A

Key Considerations

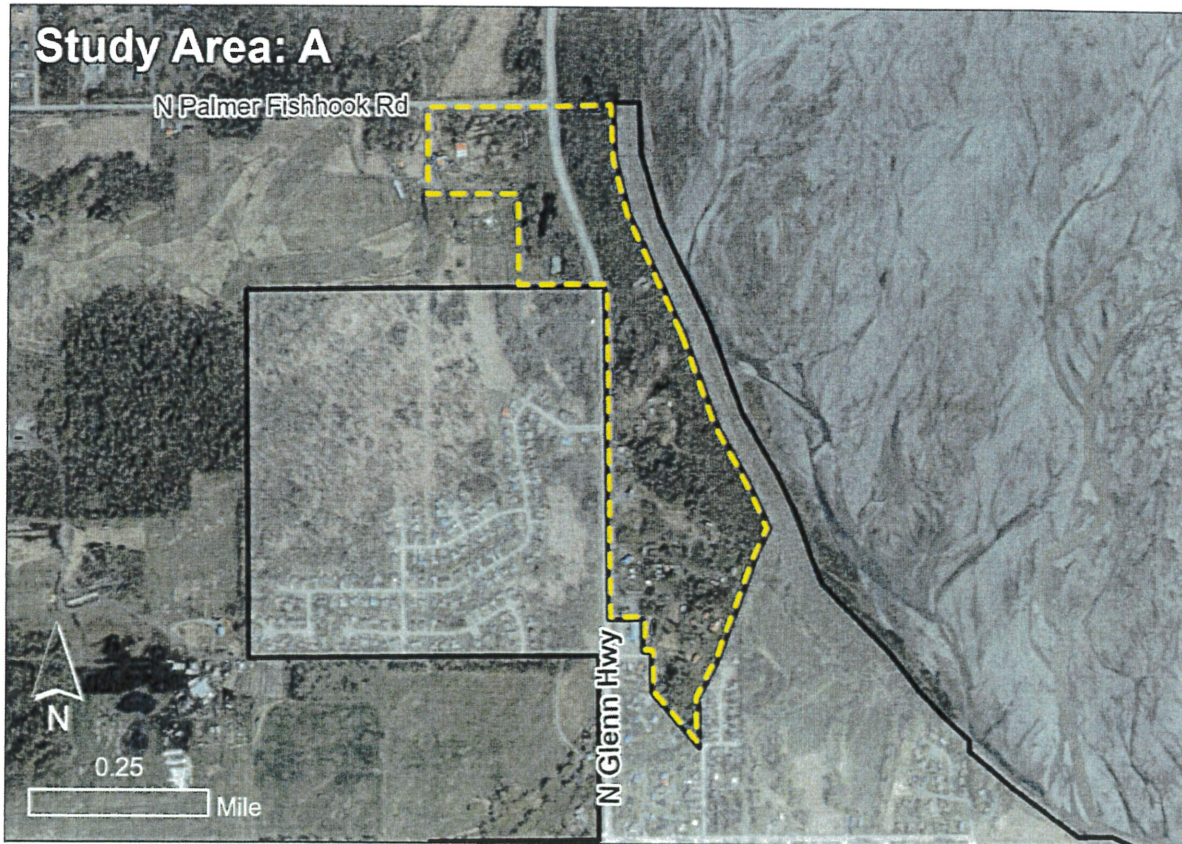
Land use in Study Area A is mostly residential, with one light commercial establishment and one communications parcel. The Study Area has similar land use characteristics to Palmer and is in close proximity to the city as a whole. The area allows for both sides of the northern gateway to the City to be within the City's boundaries. Because there is very little available land for development, Study Area A is not a significant growth area.

Study Area A	2010	2020	2030, Projected
Population	25	25	35
Housing Units	17	17	21
Average Annual Population Growth Rate	-	0%	2.6%

The City would have a strong geographic case to the Local Boundary Commission for annexing Study Area A to ensure the continuity of city boundaries. However, 43 percent of resident survey responses indicated possible support for annexation in Study Area A (three of seven responses).

Land Area	1 square mile / 731 acres
-----------	---------------------------

Figure 16. Study Area A



Fiscal Effects, Current Conditions

Annexation of Study Area A would have minimal fiscal effects on the City of Palmer and residents in the annexed area. Study Area A is the smallest annexation study area by property value and geographic size, and the second smallest area by non-exempt commercial activity and population. The study estimates that annexing Study Area A would generate \$26,000 in a year in revenue and cost \$36,000 a year in operating costs for a differential of -\$10,000. This differential is small enough that the City would not likely have to adjust its tax rates to accommodate annexation.

Fiscal Effects, 2030

The study estimates that between 2020 and 2030, tax revenues from Area A would increase by roughly \$8,000 and that City operating costs would increase by \$5,000, resulting in a net positive change of \$3,000 in 2030. When this shift of +\$3,000 is added to the estimated 2020 net fiscal of -\$10,000 per year, the study arrives at a projected annual fiscal effect of -\$7,000 for 2030. This slight decrease in the negative fiscal effect compared to 2020 is attributed to small-scale development that is projected to take place in the limited available land in Study Area A over the next decade.

Annexation Scenario	Estimated 2020 Net Fiscal Effect	2020 to 2030 Changes			Estimated 2030 Fiscal Effect
		Tax Revenues	Operating and Capital Costs	Net Change (Revenues less Cost)	
Study Area A Only	-10,000	8,000	5,000	3,000	-7,000

Study Area B

Key Considerations

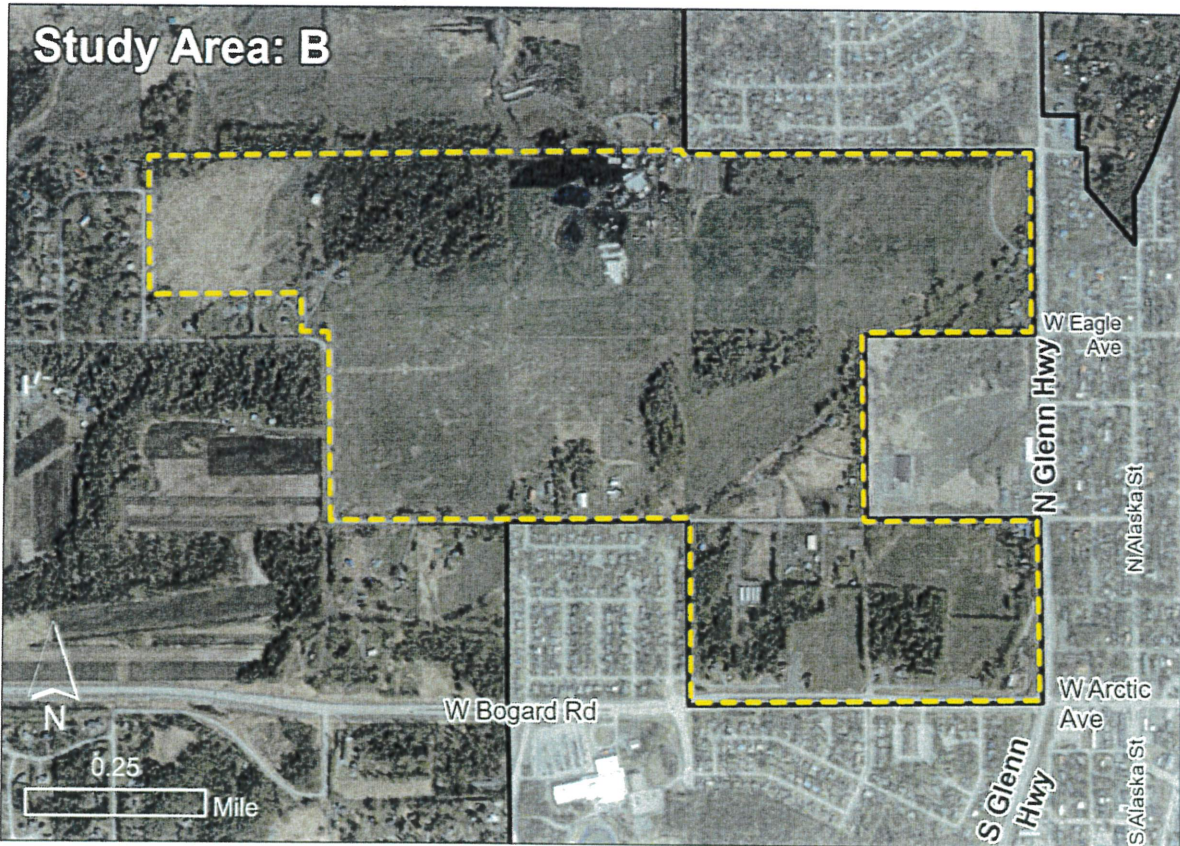
Study Area B includes agricultural land, residential and commercial with a church and a public utilities facility/easement. Study Area B is characterized by large agricultural parcels/family farms. If the property is subdivided and redeveloped, it could accommodate significant residential growth. However, the area includes a Farmland Trust property. Also, the Moffit Farm (which was in the process of obtaining an agricultural preservation easement on a significant portion of the farm at the time of writing) extends outside the study area. If the study area were included in an annexation petition as is, it would put part of the owner's property inside the City and part of the property outside the City. Study Area B also includes a marijuana business.

Study Area B	2010	2020	2030, Projected
Population	54	57	96
Housing Units	25	26	41
Average Annual Population Growth Rate	-	0.5%	5.4%

Land Area	7 square miles / 4,204 acres
-----------	------------------------------

The City would have a strong geographic case to the Local Boundary Commission for annexing Study Area B to ensure the continuity of city boundaries. However, no resident survey responses indicated any support for annexation in Study Area B (zero of six responses).

Figure 17. Study Area B



Fiscal Effects, Current Conditions

Annexation of Study Area B would be revenue positive for the City of Palmer and result in lower property tax bills for both area and City residents. Study Area B is a low-density agricultural area with strong future growth potential. The study estimates that incorporating the area would increase City revenues by nearly \$190,000 per year, while costing less than \$50,000 per year in operations expenses. Area residents would pay property tax to the City and see a tax reduction in their Borough tax bills, while receiving City services including police protection. This study area has the potential to be a fiscal win-win for both residents and the City.

Fiscal Effects, 2030

Study Areas B and C could ultimately support more development than other study areas, but on a longer time horizon, since that development is dependent on larger parcels being subdivided and sold. Assuming that Study Area B maintains its primarily agricultural character over the coming decade and a limited amount of land is developed in future, the study projects that this area will increase its net positive fiscal effect over the next decade. The study estimates that tax revenues would increase by roughly \$62,000 and that City operating costs would increase by \$18,000, resulting in an annual net fiscal effect of \$183,000 in 2030; a net change of +\$44,000 from the estimated 2020 fiscal effect. The increase in the positive fiscal effect compared to 2020 results from modest commercial and residential development in the area. The tax base is projected to grow as larger lots are subdivided, but the population is not expected to grow so much that it triggers additional operational costs, such as adding another police officer.

Annexation Scenario	Estimated 2020 Net Fiscal Effect	2020 to 2030 Changes			Estimated 2030 Fiscal Effect
		Tax Revenues	Operating and Capital Costs	Net Change (Revenues less Cost)	
Study Area B Only	139,000	62,000	18,000	44,000	183,000

Study Area C

Key Considerations

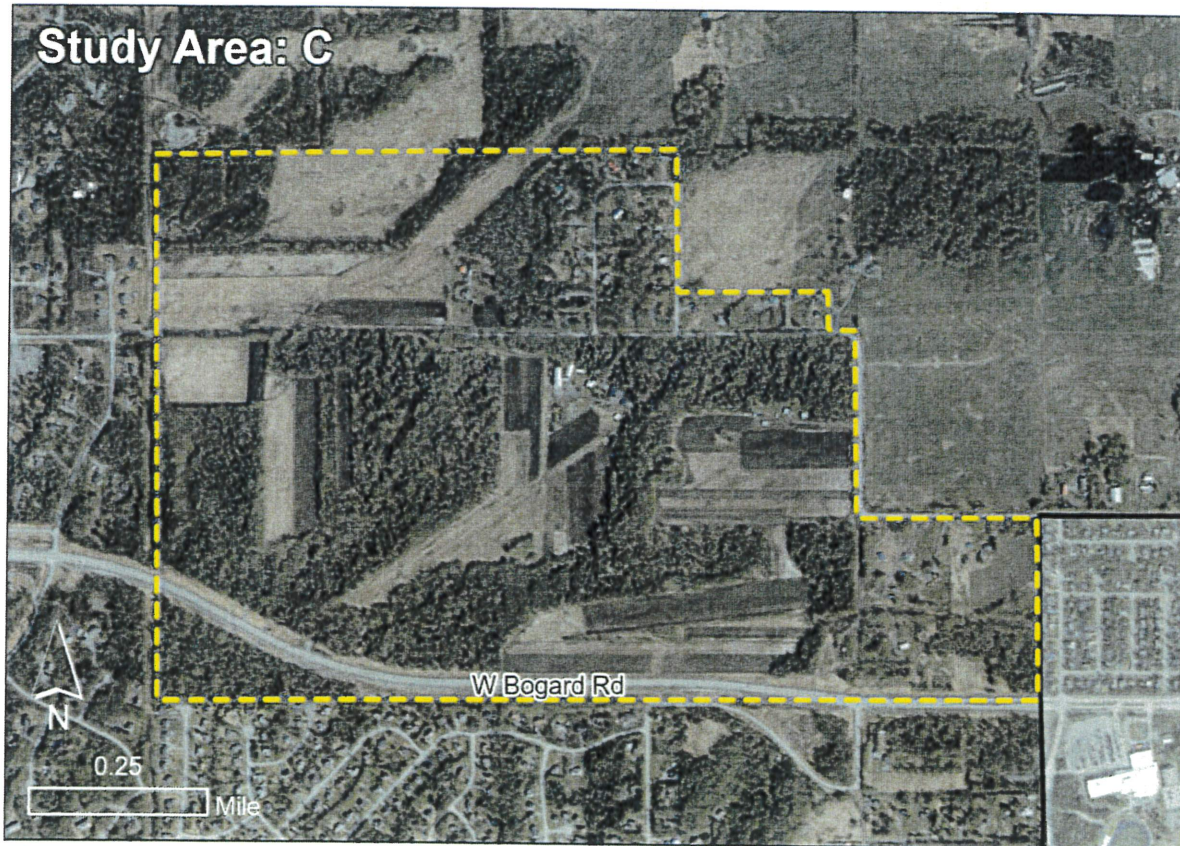
Like Study Area B, Study Area C is characterized by large agricultural parcels. If developed, they could accommodate significant future growth. Because Study Area C is near existing schools, it may be especially desirable for residential development.

However, there is significant value for farmland preservation in the Palmer area. Some farmers may be interested in developing their land; others intend to continue farming and do not plan to subdivide and sell. Seven percent of resident survey responses indicated any support for annexation in Study Area C (one of 14 responses).

Study Area C	2010	2020	2030, Projected
Population	72	72	111
Housing Units	27	27	42
Average Annual Population Growth Rate	-	0%	4%

Land Area	7 square miles / 4,472 acres
-----------	------------------------------

Figure 18. Study Area C



Fiscal Effects, Current Conditions

Annexation of Study Area C would result in similar fiscal effects as annexation of Study Area A. While geographically much larger than Study Area A, and with a population twice that of Study Area A, the fiscal effects of annexing Study Area C are similar. The study predicts annual revenues under the City’s current tax structure of just under \$50,000 each year, with annual operating costs near \$70,000 per year for a net difference of roughly -\$22,000. The study anticipates that this differential could be covered without significant tax structure changes.

Fiscal Effects, 2030

Study Areas B and C could ultimately support more development than other study areas, but on a longer time horizon, since that development is dependent on larger parcels being subdivided and sold. Assuming that Study Area C maintains its primarily agricultural character over the coming decade and a limited amount of land is developed in future, the study projects that the net fiscal effect of annexing the area will change little between 2020 and 2030. Between 2020 and 2030 the study model’s expected tax revenues would increase by roughly \$19,000 and that City operating costs would increase by \$17,000, resulting in a net change of +\$2,000 in 2030. This amount shifts the area’s net fiscal effect from -\$22,000 in 2020 to -\$20,000 in 2030. This slight decrease in the negative fiscal effects compared to 2020 is attributed to modest residential development and population growth that is projected to occur as larger parcels are developed.

Annexation Scenario	Estimated 2020 Net Fiscal Effect	2020 to 2030 Changes			Estimated 2030 Fiscal Effect
		Tax Revenues	Operating and Capital Costs	Net Change (Revenues less Cost)	
Study Area C Only	-22,000	19,000	17,000	2,000	-20,000

Study Area D

Key Considerations

Study Area D includes a mix of residential and commercial land uses, as well as a school and a church. In the long-term, Study Area D may be an area for growth, but it is mostly built out and has little room for additional near-term growth. Study Area D is proximate to public trails.

Population growth would give the City a strong case to the Local Boundary Commission for annexing Study Area D. However, 19 percent of resident survey responses indicated any support for annexation in Study Area D (15 of 80 responses).

Study Area D	2010	2020	2030, Projected
Population	1,163	1,208	1,311
Housing Units	436	454	494
Average Annual Population Growth Rate	-	0.4%	0.8%

Land Area	17 square miles / 10,946 acres
-----------	--------------------------------

Figure 19. Study Area D



Fiscal Effects, Current Conditions

Study Area D is a developed residential area with a modest amount of commercial activity relative to population and geographic area. The area’s estimated population of roughly 1,200 citizens is seven times the combined population of Study Areas A, B, and C. The number of lane miles that the Palmer Public Works Department would be responsible for is more than twice the combined lane miles of Study Areas A, B, and C. The study estimates additional annual operational costs of nearly \$1.5 million plus annual capital debt repayment costs of roughly \$265,000 against just under \$1 million in annual revenues. This difference amounts to a roughly \$725,000 negative net fiscal effect. If the City mitigated these fiscal effects through the property tax, the property tax mil rate would increase by nearly 0.8 mils and cost property owners roughly \$190 per \$250,000 of property. Alternatively, the City could increase its sales tax rate to 3.18 percent from 3.0 percent to balance the budget and leave the property tax rate at 3.0 mils.

Fiscal Effects, 2030

Although much of Study Area D’s proximity to trails and schools make it desirable for residential development, there are a limited number of parcels that could accommodate future growth. However, based on interviews with the Mat-Su Borough and pending building permits, Study Area D is expected to have more short-term development than areas to the north. Assuming modest infill residential development over the next decade, the study estimates that tax revenues would increase by roughly \$176,000, while City operating and capital costs would increase by \$238,500, resulting in a -\$62,500 change in the estimated fiscal effect between 2020 and 2030. In short, the study expects the annual negative net fiscal effect of annexing just this area to increase. The increase in the negative fiscal effects compared to 2020 is attributable to increasing public safety costs that are tied to forecasted population growth in this area, including hiring additional sworn officers to maintain a ratio of no more than 640 residents per officer (statewide averages hover between 600 and 700 residents per officer) and the capital cost for an additional police car (cruiser).

Annexation Scenario	Estimated 2020 Net Fiscal Effect	2020 to 2030 Changes			Estimated 2030 Fiscal Effect
		Tax Revenues	Operating and Capital Costs	Net Change (Revenues less Cost)	
Study Area D Only	-725,000	176,000	238,500	-62,500	-787,500

Study Area E

Key Considerations

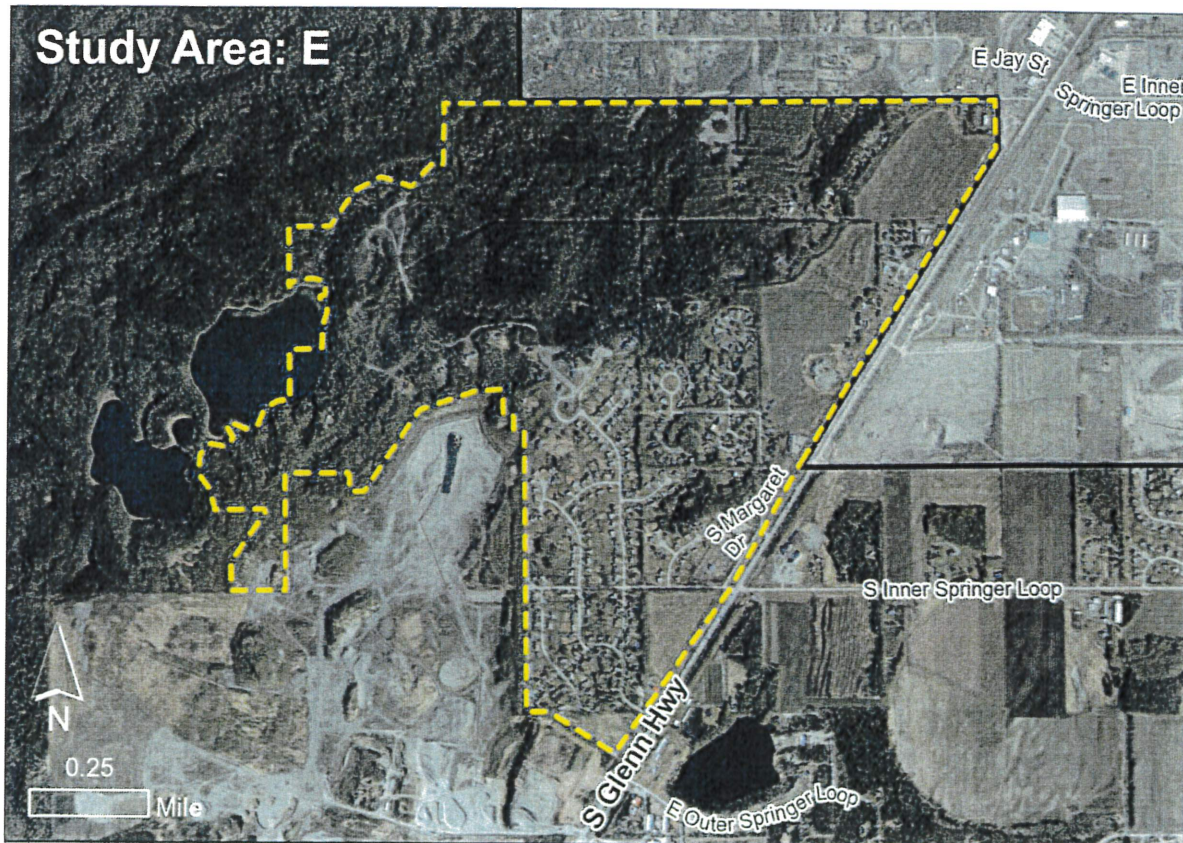
Existing land use in Study Area E is primarily residential to the south and undeveloped parkland to the north. The area includes part of the southern gateway to the City of Palmer. Recent road improvements along the Glenn Highway corridor make Study Area E an attractive area for new commercial development. Study Area E is considered a desirable residential area, but the raw developable land in key areas lack road access and would therefore be expensive to develop. Study Area E may be an area for long-term residential growth.

Study Area E	2010	2020	2030, Projected
Population	835	878	1,099
Housing Units	292	309	395
Average Annual Population Growth Rate	-	0.5%	2.3%

Land Area	12 square miles / 7,965 acres
-----------	-------------------------------

Population growth would give the City a strong case to the Local Boundary Commission for annexing Study Area E. However, 15 percent of resident survey responses indicated any support for annexation in Study Area D (15 of 98 responses).

Figure 20. Study Area E



Fiscal Effects, Current Conditions

Study Area E has the smallest population of the three larger population study areas and has the highest potential for future growth. The combination of population and some commercial activity makes this area more fiscally attractive than Area F, but less fiscally attractive than Area D. The study estimates additional annual operational costs of nearly \$1.2 million plus annual capital debt repayment costs of roughly \$265,000 against roughly \$626,000 in annual revenues. This difference amounts to a negative net fiscal effect of just over \$800,000. If the City mitigated these fiscal effects through the property tax, the property tax mil rate would increase by just over one mil and cost property owners roughly \$260 per \$250,000 of property. Alternatively, the City could increase its sales tax rate to 3.21 percent from 3.0 percent to balance the budget and leave the property tax rate at three mils.

Fiscal Effects, 2030

The study projects a very modest improvement between 2020 and 2030 in the strong net negative fiscal effect of annexing Area E only. Assuming a moderate amount of future growth in Study Area E, the study estimates that tax revenues would increase by roughly \$169,000 and that City operating and capital costs would increase by \$127,000, resulting in a net change of +\$42,000 in 2030. This change would shift the area’s estimated annual negative effect from -\$814,000 annually to -\$782,000 annually. The decrease in the negative fiscal effects compared to 2020 is attributable to modest residential development and population growth in Study Area E. Although some residential development in Study Area E would require the construction of access roads, these estimates do not include additional road mileage because it is unclear how much of that road construction would be private and how much would be public.

Annexation Scenario	Estimated 2020 Net Fiscal Effect	2020 to 2030 Changes			Estimated 2030 Fiscal Effect
		Tax Revenues	Operating and Capital Costs	Net Change (Revenues-Cost)	
Study Area E Only	-814,000	169,000	127,000	42,000	-782,000

Although the anticipated housing development and population increase for Study Areas E and F are very similar, the fiscal effects are different. This result is partly because Study Area E has a larger sales tax base than Study Area F in 2020, but mainly because Study Area F has a larger 2020 population, which triggers the need for additional police officers and associated capital costs (e.g., for police cruiser) much faster than Study Area E.

Study Area F

Key Considerations

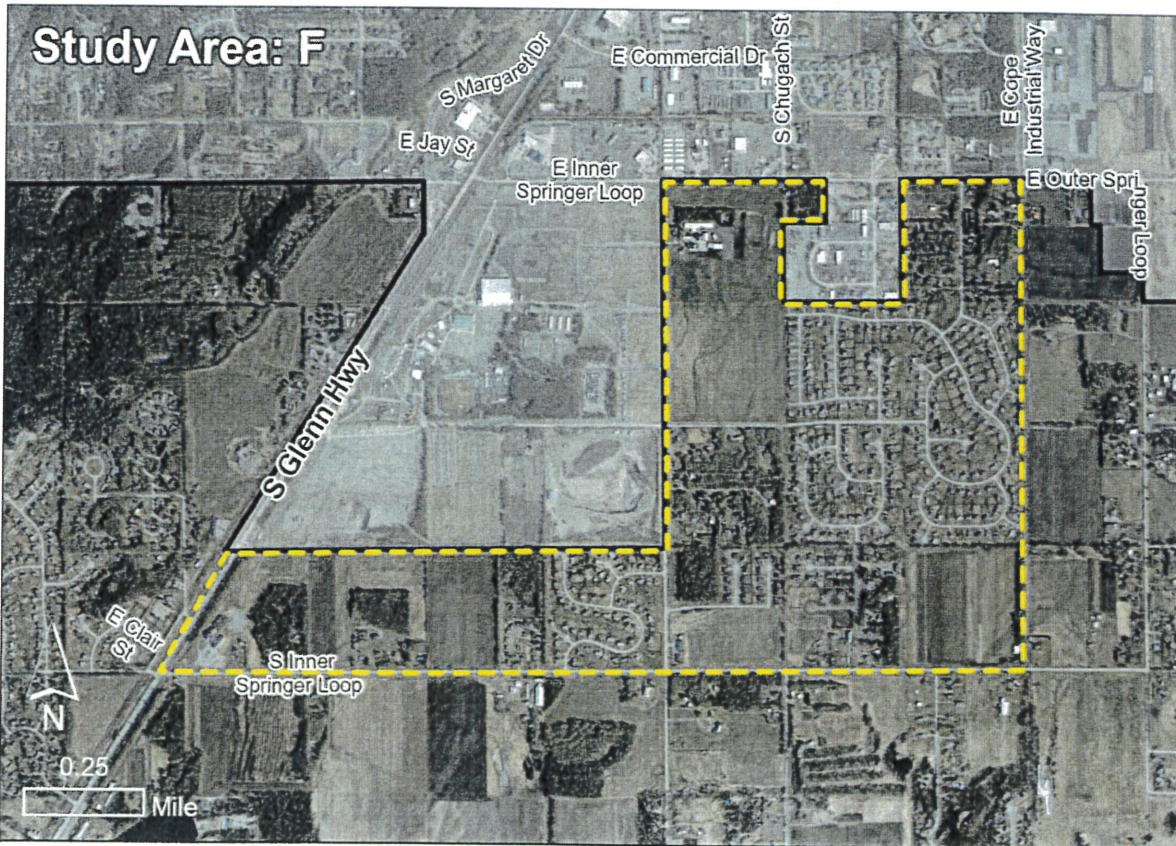
Existing land use in Study Area F is a mix of residential, commercial and agriculture. The area includes part of the southern gateway to the City of Palmer. Study Area F features some of the densest housing development in the Palmer area. Multiple farms also operate in this area, including smaller hobby farms and larger operations. There may continue to be more residential infill as farmland is sold and redeveloped, but there is also a great deal of support for farmland preservation in the Palmer area. The State Fair owns several lots in Study Area F that are unlikely to be redeveloped or change use.

Study Area F	2010	2020	2030, Projected
Population	744	1,259	1,473
Housing Units	279	485	568
Average Annual Population Growth Rate	-	5.4%	1.6%

Land Area	10 square miles / 6,584 acres
-----------	-------------------------------

Population growth would give the City a strong case to the Local Boundary Commission for annexing Study Area F. However, 12 percent of resident survey responses indicated any support for annexation in Study Area D (19 of 153 responses).

Figure 21. Study Area F



Fiscal Effects, Current Conditions

Study Area F has the largest population and the lowest level of commercial activity per capita of all the study areas considered in this analysis. This combination makes Study Area F a poorer fiscal fit for annexation than the other study areas. The negative net fiscal effects of annexing this study area are nearly as large as annexing all the study areas without the broader tax base upon which to balance the budget. The study estimates additional annual operational costs of nearly \$1.4 million plus annual capital debt repayment costs of roughly \$265,000 against just under \$660,000 in annual revenues. This difference amounts to a negative net fiscal effect of nearly \$990,000. If the City mitigated these fiscal effects through the property tax, the property tax mil rate would increase by just over one mil and cost property owners roughly \$315 per \$250,000 of property. Alternatively, the City could increase its sales tax rate to nearly 3.3 percent from 3.0 percent to balance the budget and leave the property tax rate at 3.0 mils.

Fiscal Effects, 2030

The study projects that the strong net negative fiscal effect of annexing Area F only will strengthen over the next decade. Assuming continued development in Study Area F, the study estimates that tax revenues would increase by roughly \$133,000 annually and that City operating and capital costs would increase by \$403,500 annually, resulting in a -\$270,500 shift in net fiscal effect. This change would shift the annual net fiscal effect for the city from -\$989,000 in 2020 to -\$1.26 million in 2030. The increase in the negative fiscal effects compared to 2020 is attributable to an increase in public safety costs associated with the projected population growth for this primarily residential area, including hiring additional sworn officers to maintain a ratio of no more than 640 residents per officer (statewide averages hover between 600 and 700 residents per officer) and the capital cost for an additional police car (cruiser).

Annexation Scenario	Estimated 2020 Net Fiscal Effect	2020 to 2030 Changes			Estimated 2030 Fiscal Effect
		Tax Revenues	Operating and Capital Costs	Net Change (Revenues-Cost)	
Study Area F Only	-989,000	133,000	403,500	-270,500	-1,259,500

Although the anticipated housing development and population increase for Study Areas E and F are very similar, the fiscal effects are different. This result is partly because Study Area E has a larger sales tax base than Study Area F in 2020, but mainly because Study Area F has a larger 2020 population, which triggers the need for additional police officers and associated capital costs (e.g., for police cruiser) much faster than Study Area E.

Study Area G (and E)

Key Considerations

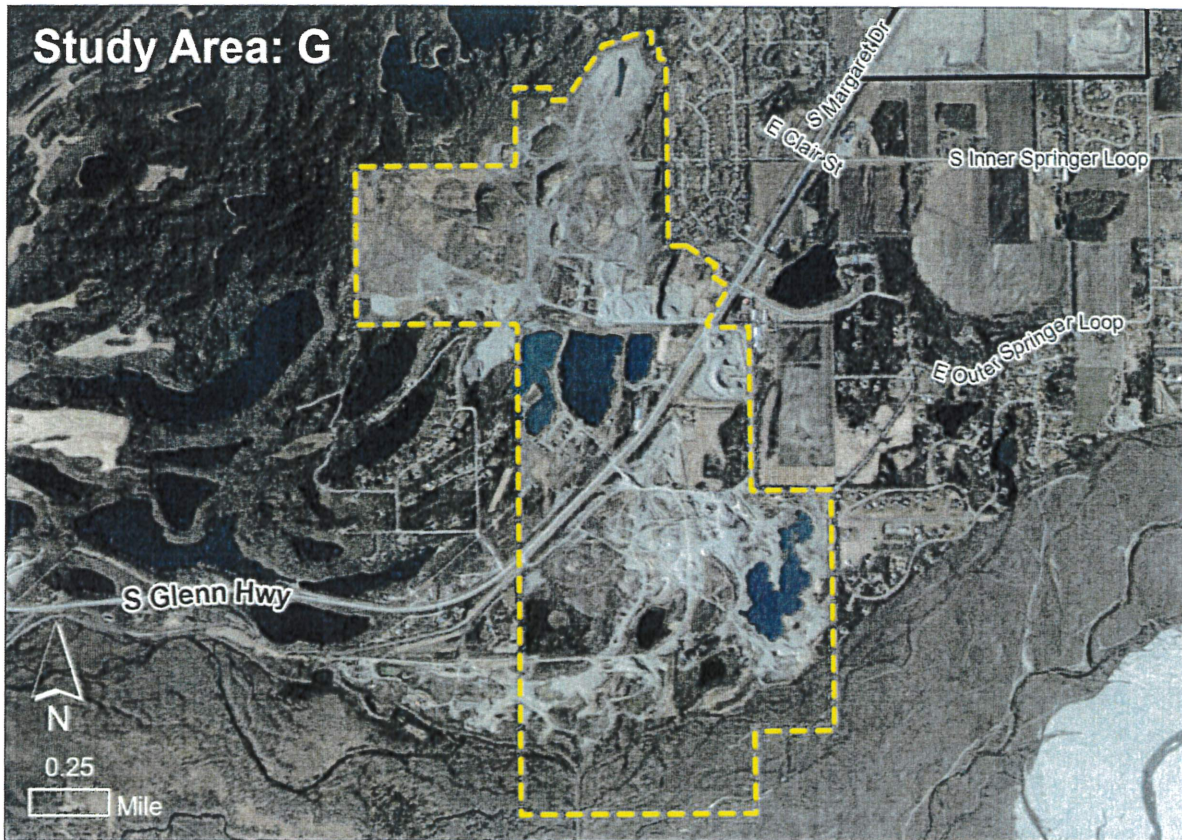
Existing land use in Study Area G is primarily gravel extraction. The study area also includes a few residences and the Matanuska Valley Sportsmen Shooting Range. Recent road improvements along the Glenn Highway corridor make Study Area G an attractive area for new commercial development. At some point, the gravel extraction operation will close, and the land will be redeveloped. Area residents may be interested in having the City's land use controls to influence redevelopment of the property at that time.

Study Area G	2010	2020	2030, Projected
Population	8	8	11
Housing Units	4	4	5
Average Annual Population Growth Rate	-	0%	3.5%

Land Area	21 square miles / 13,652 acres
-----------	--------------------------------

In Study Area G alone, 43 percent of resident survey responses indicated support for annexation (three of seven responses). When combined with Study Area E, support for annexation drops to 17 percent (18 of 105 responses).

Figure 22. Study Area G



Fiscal Effects, Current Conditions

Fiscal effects are described for Study Area G and E because the City would only be able to annex Study Area G if Study Area E is annexed as well. Study Areas G and E would extend the city south on the western edge of the Glenn Highway. This combination area would allow the City to influence Palmer’s primary visual entrance at modest fiscal expense. The City would need to adjust its tax structure to capture some of the high-dollar commercial activity occurring at the local gravel pits in order to keep fiscal effects modest. The study estimates additional annual operational costs of nearly \$1.2 million plus annual capital debt repayment costs of roughly \$370,000 against just under \$1.2 million in annual revenues. This difference amounts to a negative net fiscal effect of roughly \$380,000. If the City mitigated these fiscal effects through the property tax, the property tax mil rate would increase by just over 0.04 mil and cost property owners roughly \$10 per \$250,000 of property. Alternatively, the City could increase its sales tax rate to nearly 3.005 percent from 3.0 percent to balance the budget and leave the property tax rate at 3.0 mils. This adjustment in the sales tax rate is so small that it might make sense to consider adjusting the \$1,000 sales act transaction cap for inflation instead of changing the rate.

Study Areas G + E Combined	2010	2020	2030, Projected
Population	843	886	1,110
Housing Units	296	313	400
Average Annual Population Growth Rate	-	0.5%	2.3%

Land Area	33 square miles / 21,617 acres
-----------	--------------------------------

Fiscal Effects, 2030

The study expects that the annual net negative fiscal effects of annexing Areas G+E will increase over the next decade from -\$350,000 a year to -\$571,000 a year. Because Study Area G is viewed as largely unsuitable for residential development, minimal development or population increase is assumed in the study area over the next decade. Sales tax revenues in Study Area G are also expected to decline as gravel production slows and the mine in this area is decommissioned. However, combined with the development potential of Study Area E, the study estimates that tax revenues would only decrease by roughly \$93,000 and City operating costs would increase by \$128,000, resulting in a net change of -\$221,000 in 2030.

Annexation Scenario	Estimated 2020 Net Fiscal Effect	2020 to 2030 Changes			Estimated 2030 Fiscal Effect
		Tax Revenues	Operating and Capital Costs	Net Change (Revenues-Cost)	
Study Areas G+E Only	-350,000	-93,000	128,000	-221,000	-571,000

Transition Plan

Transfer Process

An annexation petition must include a practical plan, informed by the City of Palmer, the State of Alaska, the Matanuska-Susitna Borough and general community that demonstrates the capacity of the City government to:

- extend essential City services into the territory proposed for annexation in the shortest practicable time after annexation, not to exceed two years following annexation.
- assume all relevant and appropriate powers, duties, rights, and functions presently exercised by the Matanuska-Susitna Borough in the territory proposed for annexation.
- transfer and integrate all relevant and appropriate assets and liabilities of the Matanuska-Susitna Borough in the territory proposed for annexation.

The estimated staffing, equipment and capital needed to annex the Study Areas identified in this report are included in the fiscal study assumptions. If the City proposes to annex a different land area, the transition plan for that annexation petition will provide comparable estimates adjusted to the area included in the petition.

Generally, the transition process occurs within one year of an annexation decision. The impact to the City of Palmer of extending services to areas proposed for annexation would be greatest for areas with the greatest population and existing development. As the City prepares the transition plan for a given annexation petition, it will confer and coordinate with other governmental agencies and service providers, such as those listed in **Table 16**.

Table 16. Pre-Annexation Consultation

Entity	Topic(s) of Coordination
Mat-Su Borough (various departments)	Status of annexation petition; voting districts; alcohol and marijuana licensing; emergency and hazard planning; tax receipts, timing of tax collection/effective dates; improvement districts; bond repayment; planning and land development; gravel pits; subdivision and platting procedures; mapping; general coordination
South Colony Road Service Area	Borough road contracts; existing maintenance and capital projects, service levels; general coordination
Alaska Department of Transportation and Public Facilities	Confirm ownership and maintenance of State roads/infrastructure; ADOT policies; general coordination
Alaska State Troopers	Impact to Trooper workload; problem areas; dispatch; staffing levels; general coordination
Alaska Alcohol and Marijuana Control Office	Alcohol and marijuana licensing; marijuana and alcohol licenses; license types; conditions of approval; general coordination
Alaska Fire Marshal	Application of City building and fire safety codes/policies; general coordination
School District	Police response; safe routes to schools; general coordination
State of Alaska Local Government Specialist	Anything City has questions about; general coordination

General Government Services

All areas of potential City annexation are currently governed by the Matanuska-Susitna Borough, so general government services for any territory proposed for annexation would be transferred from the Matanuska-Susitna Borough to the City of Palmer. Some specific government services and functions would remain with the Borough and are noted in the following pages. Once annexation is effective, the City would work with the Matanuska-Susitna Borough to ensure that all affected departments are made aware of the boundary change.

Transition of voter roles

Voter registration would shift from the Matanuska-Susitna Borough to the City of Palmer for all residents of annexed territory upon effective annexation. Annexed residents would be assigned to City of Palmer voting precincts. Voting precincts are set by the State of Alaska and reviewed every ten years after the Census. The City of Palmer currently has two precincts, located at:

- 11-070: Matanuska-Susitna Borough Administration Building Assembly Chambers (350 E. Dahlia Avenue)
- 11-075: Senior Center (350 E. Dahlia Avenue)

A map of Palmer's existing voting precincts may be viewed at: www.palmerak.org/city-clerks-office/page/polling-locations.

Licenses

Business licenses

Businesses located in annexed areas would be required to obtain a City of Palmer business license, effective upon annexation.

Alcohol and Marijuana Licenses

The Alaska Alcohol and Marijuana Control Office (AMCO) would continue to oversee the licensing of alcohol and marijuana businesses. Any annexed business holding an alcohol or marijuana license issued by AMCO would be permitted to continue operating consistent with their license and any restrictions or conditions that were placed on the license at its approval or most recent renewal. Renewal of licenses post-annexation would be reviewed according to Palmer Municipal Code. Once annexation is effective, the new city boundaries would be provided to the AMCO for future licensing and renewals.

Property Tax

The Matanuska-Susitna Borough assesses and collects property taxes for properties inside and outside organized cities in the borough; this system would not change. However, the Matanuska-Susitna Borough Assessing Department would be notified of the new property in the city to make sure that the property receives the proper assessment. Annexed parcels would be transitioned to the correct tax code area for Palmer, which would begin at the beginning of the next calendar year following the effective date of annexation. Annexed properties would no longer pay the Borough's Non-Area Wide millage, Road Service Area millage nor separate Greater Palmer Consolidated Fire Service Area millage, and would instead pay the City of Palmer millage.

Sales Tax

The Matanuska-Susitna Borough at this time has not imposed a sales tax. The City of Palmer currently has a sales tax in the amount of three percent. Once annexation is effective, all future sales, rentals and services made on or from businesses within the annexed area would be subject to the City of Palmer sales tax. The procedures that are currently in place when developers and/or businesses apply for a Building Permit or Business License ensure that individuals are informed of the City sales tax and proper collection and reporting requirements.

Other taxes and fees

A transient accommodations taxation (bed tax) is collected by the Matanuska-Susitna Borough. This tax would continue to be collected by the Borough for all applicable businesses operating within the City and annexed areas. The City of Palmer does not collect a bed tax.

Once annexation is effective, all applicable fees charged by the City of Palmer would be required upon the associated action. The City's current Fee Schedule may be viewed at:

<https://www.palmerak.org/finance/page/fee-schedule>.

Economic Development

Economic Development would transfer from the Matanuska-Susitna Borough to the City of Palmer.

Planning, Land Use and Zoning

Some planning and land use powers would transfer from the Matanuska-Susitna Borough to the City of Palmer, including subdivisions and plat review, zoning, and the application of building permits.

Subdivisions and platting for land within City boundaries is done by the City of Palmer, with approval by the Palmer Planning and Zoning Commission. Palmer Municipal Code provides guidance for these actions in PMC Title 16 Subdivisions (<https://palmer.municipal.codes/PMC/16>). Once annexation is effective, landowners would work with City of Palmer staff to subdivide and plat their land in accordance with City code.

Palmer Municipal Code provides guidance for the application of City zoning upon annexation of territory into the city (PMC 17.59.030: <https://palmer.municipal.codes/PMC/17.59>). Following the effective date of annexation, the Palmer Planning and Zoning Commission will conduct public hearings to take public comment on land use and potential zoning for the newly annexed territory. After due considerations, the City would designate initial zoning districts for annexed parcels. Owner-initiated zoning amendments can be made at any time, so landowners can propose the zoning of their choice to the city as part of the initial zoning or afterward. City staff would work with landowners to determine how best to accommodate any non-conforming territory within study areas, which may include some combination of zoning application, conditional use permits, variances or some other land use regulatory tool.

Palmer Municipal Code also provides guidance about the initial zoning of annexed properties (PMC 17.16.060: <https://palmer.municipal.codes/PMC/17.16.060> and PMC 17.59.040 <https://palmer.municipal.codes/PMC/17.59>), copied below. These designations are intended to make the zoning process smooth by allowing existing uses to continue to the extent possible during transition into the City.

17.16.060 Annexation zoning. When land becomes a part of the city by means of annexation, the land shall be zoned as follows:

- A. Privately owned parcels primarily used for single-family residential purposes shall be classified as R-1, single-family residential;
- B. Parcels owned by a governmental agency and intended for uses allowed in a public use district shall be classified as P, public use;
- C. Parcels owned by a governmental agency and not intended for uses allowed in a public use district shall be classified as T, transitional use;
- D. Privately owned parcels primarily used for other than single-family residential purposes shall be classified as T, transitional use;

E. Privately owned parcels not in use upon the effective date of the annexation shall be classified as T, transitional use. (Ord. 632 § 3, 2004; Ord. 454 § 4, 1992)

17.59.040 Permitted principal and accessory uses and structures. Principal uses and structures in the T – transitional district are:

A. Lawful uses are to continue in the transitional district, except those prohibited uses specified in PMC 17.59.060 and those permitted to continue only by conditional use.

B. Lawful accessory uses and structures are allowed to continue. (Ord. 13-009 § 6, 2014; Ord. 632 § 4, 2004)

Once annexation is effective, property owners would also be required to obtain City of Palmer building permits and meet City building codes for new construction or significant repairs.

Water and Sewer

There would be no effective change in water and wastewater upon annexation for the affected territory. The Palmer Water and Sewer Utility provides sewers, sewage treatment, water treatment and distribution, including fire hydrants to areas within its service area, which already includes all areas that may be considered for annexation. The Matanuska-Susitna Borough does not provide these utility services to Borough residents. Regardless of any annexation, the Palmer Water and Sewer Utility would consider extensions to its existing services and infrastructure on a case-by-case basis. Many properties in the study areas are serviced by their own water wells and septic systems. These properties would be permitted to continue to use their existing systems per Palmer Municipal Code Chapter 13.16.

Public Safety

Public safety services would transfer from the Alaska State Troopers to the Palmer Police Department. Once annexation is effective, the City would notify the Alaska State Troopers and the Palmer Police Department that the annexed territory is inside the Palmer Police Department's jurisdiction. Fire and Emergency Response service would continue to be provided by the Palmer Fire and Rescue within the Greater Palmer Fire Service Area, which would include all annexed areas.

Roads and Road Maintenance

All Matanuska-Susitna Borough-owned streets, roads, sidewalks, paths and trails including related utility easements, water drainage, landscaping, parking and approximately 40 streetlights would transfer from the South Colony Road Service Area to the City of Palmer. Once annexation is effective, Palmer Public Works maintenance crews would be informed of the new area to be serviced. Road maintenance of State Highways would continue to be provided by the State of Alaska in annexed areas.

Libraries, Parks and Recreation

The Palmer Library is already operated by the City of Palmer. The Matanuska-Susitna Borough makes contributions to the City on behalf of residents that use the Palmer Library outside City boundaries, which would likely be reduced to reflect the City's new boundaries. The Matanuska-Susitna Borough would maintain ownership of Borough parks, playgrounds, sports fields and other recreation facilities, but would delegate the powers to maintain and develop Borough-owned parkland to the City of Palmer upon annexation.

Services Not Affected by Annexation

Airport and aviation services would continue to be available to annexed areas and provided by the City of Palmer, Municipal Airport. The following services would continue to be provided by the Matanuska-Susitna Borough to annexed areas: Animal Control, Education, Air pollution control, and Historic preservation.

Policy Implications

The annexation study revealed a number of concerns from area residents and businesses about how existing City of Palmer policy would affect them, if annexed. In some cases, public concerns reflect a lack of understanding about how City governance and service provision works. Most, if not all, of these can be clarified by the information presented in this report. In other cases, public concerns reflect issues that will require a decision by the City of Palmer. These are noted below, with alternatives for the City to consider. It should also be noted that recent LBC decisions demonstrate a current philosophy among Commissioners that leans toward supporting individual property rights and well-supported annexations; addressing these issues and demonstrating a base level of support for annexation among the City and area residents will be especially important for a successful annexation.

Sales Taxes

The City could speak with businesses in areas proposed for annexation to find out if there is a consistent type of business that would be negatively affected by having to collect sales tax and consequently make a determination if PMC 03.16.050 should be amended to include any other specific sales tax exemptions. Some survey respondents specifically indicated that locally grown food should be exempt from the City sales tax, but it is beyond the scope of this study to determine how much of an impact the sales tax would have, if any, on the competitiveness of annexed businesses.

Building permits, fees and codes for sheds, fences, decks, etc.

The City currently requires building permits, fees and inspections for sheds and decks per PMC Title 15 Buildings and Construction (<https://palmer.municipal.codes/PMC/15>). The City also charges a fence permit. The City could review and amend code to make some degree of the building permitting and inspection process optional or voluntary. For example, Anchorage Municipal Code 23.05.030 makes the requirements to apply for and complete the building permit, plan review, and building inspection processes optional in areas outside the Anchorage Building Safety Service Area (ABSSA), which is defined in AMC 27.30.040. The boundaries of the ABSSA are outlined on a map in AMC 27.30.700.

Off Highway Vehicle (OHV) use (ATVs, snow machines, etc.)

The City currently does not allow on streets except to cross per PMC Chapter 10.08 Regulation of Off-highway Vehicles (<https://palmer.municipal.codes/PMC/10.08>). The City could amend PMC to allow licensed operation of OHVs, like the City of Kenai per KMC Chapter 13.40 Off-road Operations of Motor Vehicles (<https://kenai.municipal.codes/KMC/13.40>). Designated pathways or recreational trails could be created that run alongside main roadways to accommodate off-highway vehicle use, although additional provisions may be needed to allow the vehicles to travel from a residence to designated trails along neighborhood streets.

Animal restrictions

The City currently allows a variety of pet and livestock animals, depending on zoning per PMC Title 6 Animals (<https://palmer.municipal.codes/PMC/6>) and PMC Title 17 Zoning (<https://palmer.municipal.codes/PMC/17>). Most community concerns were either about dogs or farm animals (chickens, roosters, cows, horses, goats, bees). Palmer Municipal Code allows all of these on land zoned for agriculture or parcels larger than one acre if the animals do not go within 25 feet from an exterior lot line (PMC 6.08.020.A). For dogs, the City could review and consider amending the code to allow up to four dogs on parcels less than one acre and/or off-leash dogs in designated areas within City boundaries if existing code cannot accommodate annexed properties. Where there is potential conflict regarding farm animals is in the case of a property owner living on a residential parcel of less than one acre with small-scale agricultural activities mainly for personal consumption. The City could review and amend code to better accommodate these activities if existing zoning and animal regulations fail to do so.

Hunting and Use of Firearms

The City currently prohibits discharge of firearms within City limits except at permitted practice facilities per PMC Chapter 9.74 Discharge of Firearms (https://palmer.municipal.codes/PMC/9_DivVIII). The City could designate areas in code where hunting is allowed, like the City of Kenai per KMC 13.15.010 Discharge of firearms (<https://kenai.municipal.codes/KMC/13.15.010>). Anchorage and Juneau have helpful webpages describing their rules about hunting and use of firearms within their boundaries. The City and Borough of Juneau permits hunting with regulatory guidelines within its boundaries (<https://juneau.org/lands/hunting>). It is against the law to discharge a firearm in the Municipality of Anchorage except in designated hunting areas or shooting ranges per Anchorage Municipal Code 8.25.030 (<https://www.muni.org/Departments/police/HowDoI/Pages/FIREARMS.aspx>).

Burning trash, fire pits, fireworks

Fireworks are allowed without a permit on New Year's Eve per PMC Chapter 8.42 Fireworks (<https://palmer.municipal.codes/PMC/8.42>). Palmer Fire & Rescue may issue recreational burn permits for fire pits and Class A/B/C burn permits for open burning of woody debris or fields of grass, upon approval by the Fire Chief or his designee.³⁰ The City could review and amend code to if needed. One example would be to adjust the allowances for burn permits on parcels of five or more acres in newly annexed areas. The Municipality of Anchorage allows recreational or ceremonial fires as long as they are done according to regulatory safety standards and obtain a burn permit if necessary. However, burning trash, yard debris, leaves, construction material, and/or woody debris is prohibited within the municipality.³¹

Solid Waste Collection and Disposal

Garbage collection is currently required throughout the City of Palmer per PMC Chapter 8.20 Garbage Collection and Disposal (<https://palmer.municipal.codes/PMC/8.20>). The City could consider changing PMC to allow self-haul, disposal of waste on property, in addition to contracted collection services, either in a part of the city or citywide. Like Palmer, the Municipality of Anchorage requires municipal garbage collection within a specified service area (AMC 26.70.030), but Anchorage Municipal Code does allow the city manager to exempt a person from the requirement if that person requires solid waste collection and disposal service that cannot be provided by the Municipality. Unlike Palmer Municipal Code, Anchorage Municipal Code does not require garbage collection by a private provider outside this service area.

Farms

If the City seeks to accommodate working farms into its boundaries, the City is advised to meet with farmers and discuss their specific concerns, then prepare a plan for transitioning the working farms into the City. Many farm concerns could be accommodated within now-existing City code. However, in order to meet City standards, farmers may have to invest time and money into things like moving their fences, coming into building code compliance and meeting the City's sales tax policies and reporting requirements. There is also some uncertainty about how to interpret City code for farm waste management. These are issues that might not necessarily put the farmer out of business, but that could create significant hurdles and animosity among farmers if they are not addressed proactively. Depending on the issue, the City could consider offering assistance or incentive programs or allow farms to slowly transition to code compliance.

³⁰ Palmer Fire and Rescue. *Burn Permits*. Accessed March 4, 2021 from: www.palmerak.org/fire-rescue/page/burn-permits.

³¹ Municipality of Anchorage. *Recreational and Cooking Fires*. Accessed March 9, 2021 from: <https://www.muni.org/Departments/Fire/Wildfire/Pages/RecreationalandCookingFires.aspx>.

References

- Agnew::Beck Consulting (2006). *Palmer Comprehensive Plan Update*. Accessed November 5, 2020 from <https://www.palmerak.org/city-palmer-comprehensive-plan>.
- Agnew::Beck Consulting, Northern Economics, Inc. and Kevin Waring Associates (2010). *City of Palmer Annexation Strategy*. Accessed November 5, 2020 from <https://www.palmerak.org/city-palmer-analysis-annexation-alternatives>.
- Alaska Department of Community and Economic Development (March 2000). *Report to the Local Boundary Commission Concerning the Proposed Annexation of 64.9 Acres to the City of Palmer*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dcra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.
- Alaska Remote Seller Sales Tax Commission. *Alaska Remote Sales Tax Information Portal*. Accessed February 9, 2021 from: <http://arsstc.org/>.
- City and Borough of Juneau. *Hunting on CBJ Property*. Accessed March 9, 2021 from: <https://juneau.org/lands/hunting>.
- City of Kenai. *Firearms Discharge Map*. Accessed February 3, 2021 from: http://www.kenai.city/sites/default/files/fileattachments/police/page/3111/firearm_discharge_in_city_limits_map.pdf.
- City of Kenai. *Kenai Municipal Code*. Accessed February 3, 2021 from: <https://www.kenai.city/citycouncil/page/kenai-municipal-code>.
- City of Palmer (1999). *Record to the Local Boundary Commission Palmer Annexation Petition*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dcra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.
- City of Palmer, Alaska (March 2002). *A Petition by the City of Palmer for Annexation of approximately 921.34 acres North, South, East & West of the current City Limits*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dcra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.
- City of Palmer (2011). *Petition to the Local Boundary Commission For Annexation to the City of Palmer, a Home Rule City within the Matanuska-Susitna Borough, Using the local option method by the consent of all owners of the property proposed for annexation and all registered voters residing on that property*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dcra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.
- City of Palmer. *Budget Documents*. Accessed February 9, 2021 from: <https://www.palmerak.org/finance/page/budget-documents>.
- City of Palmer. *Building Codes*. Accessed February 9, 2021 from: <https://www.palmerak.org/community-development/page/building-code-enforcement-information>.
- City of Palmer. *Building Reports*. Accessed February 9, 2021 from: <https://www.palmerak.org/community-development/page/building-reports>.

- City of Palmer. *Fee Schedule*. Accessed February 4, 2021 from: www.palmerak.org/finance/page/fee-schedule.
- City of Palmer. *Fence Permit Application*. Accessed February 9, 2021 from: <https://www.palmerak.org/community-development/page/residential-fence-permit-application>.
- City of Palmer. *Landlord and Property Manager Information*. Accessed February 4, 2021 from: www.palmerak.org/finance/page/landlord-and-property-manager-information.
- City of Palmer. *Palmer Municipal Code*. Accessed February 4-9, 2021 from: <https://palmer.municipal.codes/>.
- City of Palmer. *Road Standards*. Accessed February 5, 2021 from: www.palmerak.org/public-works/page/standard-specifications-and-development-standards.
- Fairview Public Utility District No. 1 v. City of Anchorage*, 368 P.2nd 540 (Alaska 1962).
- Gillian Smythe & Associates (1999). *Palmer Comprehensive Plan*. Accessed November 5, 2020 from <https://www.palmerak.org/city-palmer-comprehensive-plan>.
- Local Boundary Commission. *Report to the 29th Alaska State Legislature, 1st Session February 2015*.
- Matanuska-Susitna Borough. *Code Compliance*. Accessed February 9, 2021 from: <https://www.matsugov.us/codecompliance>.
- Matanuska-Susitna Borough. *Zoning*. Accessed February 9, 2021 from: <https://www.matsugov.us/zoning>.
- Matanuska-Susitna Borough, Fire and Life Safety Division. *Building and Renovating*. Accessed February 3, 2021 from: <http://www.matsugov.us/firecode#buildingrenovating>.
- Municipality of Anchorage. *Firearms – FAQ*. Accessed March 9, 2021 from: <https://www.muni.org/Departments/police/HowDoI/Pages/FIREARMS.aspx>.
- Municipality of Anchorage. *Recreational and Cooking Fires*. Accessed March 9, 2021 from: <https://www.muni.org/Departments/Fire/Wildfire/Pages/RecreationalandCookingFires.aspx>.
- Northern Economics, Inc. (2006). *Annexation Alternatives for the City of Palmer*. Accessed November 5, 2020 from: <https://www.palmerak.org/city-palmer-analysis-annexation-alternatives>.
- Palmer Fire and Rescue. *Burn Permits*. Accessed February 5, 2021 from: www.palmerak.org/fire-rescue/page/burn-permits.
- Rockey, Tim. "Waste water treatment plan up and running," *Frontiersman* Sep 19, 2018. Accessed February 9, 2021 from: https://www.frontiersman.com/news/waste-water-treatment-plant-up-and-running/article_3046dfa2-bc3d-11e8-9b58-9b23af2f166c.html.
- United States Justice Department. "Notice of Lodging of Proposed Consent Decree Under the Clean Water Act: A Notice by the Justice Department on 09/12/2016," *Federal Register*. Accessed February 9, 2021 from: <https://www.federalregister.gov/documents/2016/09/12/2016-21855/notice-of-lodging-of-proposed-consent-decree-under-the-clean-water-act>.

Appendix A: Annexation History

A History of Annexation in Palmer

A Piecemeal Approach to Annexation

For most of its history, annexation into the City of Palmer has happened through frequent, small-scale petitions only when requested by property owners. From the City's incorporation in 1951 through 1999, the City's boundaries were expanded by 44 separate annexations, 41 of which occurred between 1970 and 1999 (ADCED, 2000).³² These annexations often involved either large commercial parcels or parcels that were subdivided into smaller lots for residential development. Annexation into the City provided access to municipal services, particularly water and sewer services, which have been the primary driver of annexation requests by landowners and developers.

This piecemeal approach to annexation created irregular, meandering city boundaries and several enclaves of non-annexed properties isolated within City boundaries (Smythe, 1999).³³ In 1992, the LBC denied a City-initiated annexation petition because it would have created an additional enclave,³⁴ and recommended that the City take a more comprehensive approach to annexation in future to address the problem of enclaves (ADCED, 2000).

A More Comprehensive Approach to Annexation

From the 1990's onward, the City followed the LBC's recommendation for a more comprehensive approach to annexation. A 1999 City-initiated annexation petition included four separate parcels contiguous with then-existing City boundaries, one of which was a voluntary annexation request; the remaining three were either owned by the City or were privately-owned lots over which the City already held Power of Attorney for annexation (City of Palmer, 1999).³⁵

The City of Palmer also completed a comprehensive plan in 1999, which recommended that the City adopt Palmer's certificated sewer service area as the conceptual boundary for expansion of the City and file the concept with the LBC so that future individual annexation petitions would be used to implement the concept (Smythe, 1999). The plan reasoned that a conceptual growth boundary would provide advance notice to landowners and residents in areas of possible annexation, which would thereby allow more time for landowners, developers, the City and Matanuska-Susitna Borough to plan and prepare for

³² Alaska Department of Community and Economic Development (March 2000). *Report to the Local Boundary Commission Concerning the Proposed Annexation of 64.9 Acres to the City of Palmer*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dcra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.

³³ Gillian Smythe & Associates (1999). *Palmer Comprehensive Plan*. Accessed November 5, 2020 from <https://www.palmerak.org/city-palmer-comprehensive-plan>.

³⁴ Alaska Department of Community and Economic Development (March 2000). *Report to the Local Boundary Commission Concerning the Proposed Annexation of 64.9 Acres to the City of Palmer*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dcra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.

³⁵ City of Palmer (1999). *Record to the Local Boundary Commission Palmer Annexation Petition*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dcra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.

future annexations (Smythe, 1999). Following the 1999 Palmer Comprehensive Plan, the City contracted with Northern Economics, Inc. in 2000 to analyze the economic effects of a potential future annexation. This study analyzed four study areas defined as potential annexation phases toward the conceptual boundary recommended by the Comprehensive Plan and, by City Council request, added a study area for the extensive gravel extraction area south of the City (Northern Economics, Inc., 2006).³⁶

A City-initiated annexation petition in 2002 (of over 920 acres) specifically addressed the issue of enclaves within Palmer by annexing all remaining enclaves, including properties that were either entirely surrounded by the City or bordered by the City and the Matanuska River. The 2002 petition also established that the conflict between the City's policy of annexing land only upon request and the LBC's policy of denying a petition that would create an enclave had effectively made the voluntary piecemeal approach to annexation an obstacle to investment in the Palmer community and to its growth and development (City of Palmer, 2002).³⁷ Any non-contiguous property outside City boundaries would have to be annexed along with the land between that development and City boundaries. Even if driven by a landowner's voluntary request for annexation, future annexation petitions would likely have to be initiated by the City in order to include enough land area to ensure contiguous City borders.

Providing for Orderly Community Growth and Development

Annexation was identified in Palmer's 1999 Comprehensive Plan as an important mechanism to support the City's ability to plan for and manage community growth, which had become constrained by Palmer's relatively small physical area, high population density, and high growth rate (Smythe, 1999). The plan recommended that Palmer adopt an annexation strategy specifically to help guide future development because significant growth was happening just outside municipal boundaries (Smythe, 1999).

Growth management was a significant part of the rationale for the subsequent 2002 City-initiated annexation petition, which noted a population increase of 58 percent from development within City boundaries and 38 percent within the Matanuska-Susitna Borough over the previous Census decade (1990-2000) (City of Palmer, 2002). The petition cited the need to address the potential for conflicting land uses and building standards along municipal boundaries with planning and zoning in the areas proposed for annexation, particularly where enclaves existed (City of Palmer, 2002). It included four partially developed subdivisions (of almost 200 lots) that requested annexation for water and sewer service and noted the City's desire to plan for commercial development and retail growth expansion along the Glenn Highway to the south prior to development (City of Palmer, 2002).³⁸

A 2006 update to the Palmer Comprehensive Plan reaffirmed that the City needed additional area for community expansion and that much of the Palmer area's recent growth and development had taken place near Springer Loop to the south and along the Palmer-Wasilla Highway to the west, both areas outside city boundaries and not zoned (Agnew::Beck, 2006).³⁹ The 2006 update recommended that there be a plan for the phased expansion of city boundaries, with a detailed planning study and cost-benefit analysis of the area proposed for annexation.

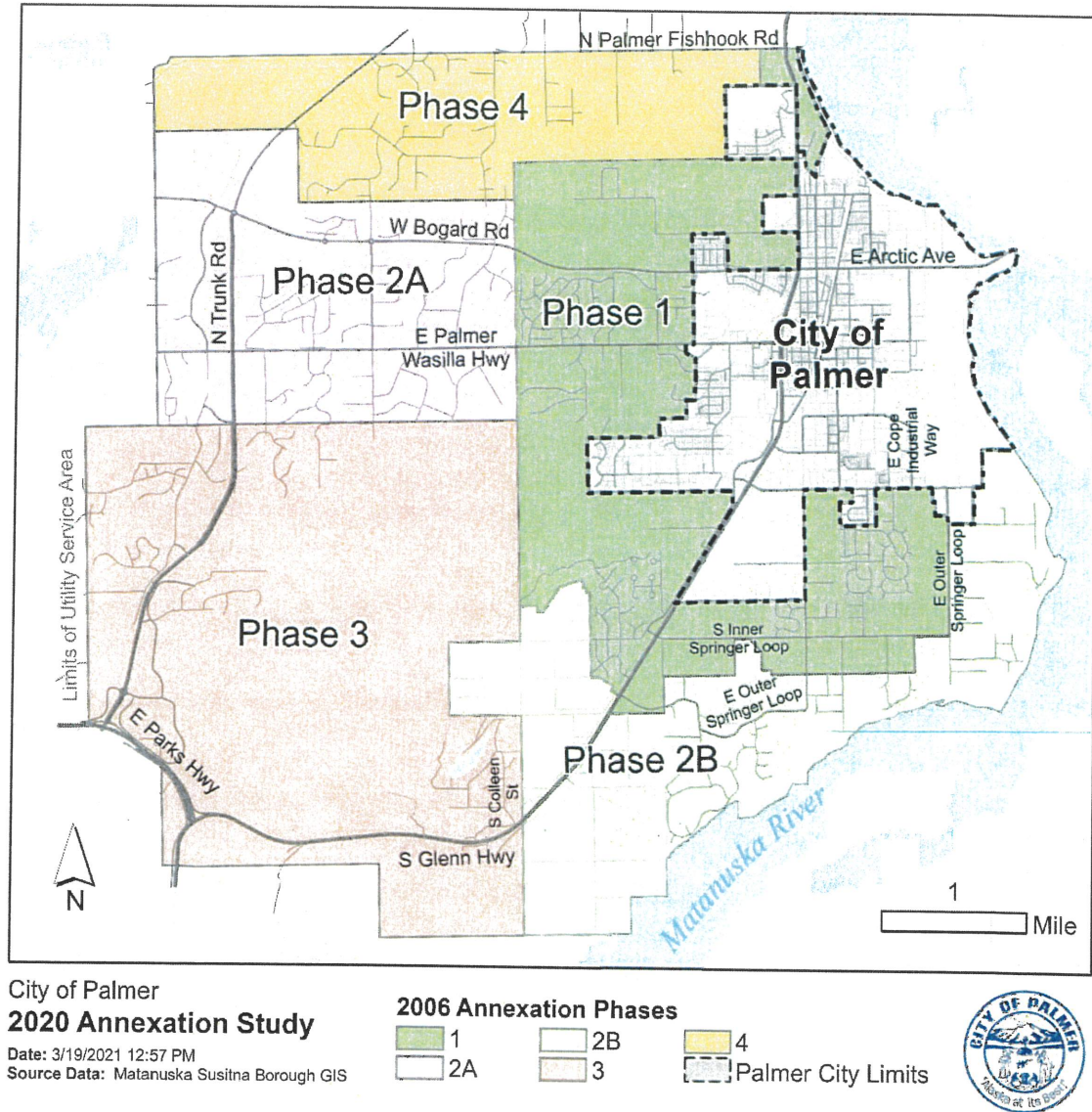
³⁶ Northern Economics, Inc. (2006). *Annexation Alternatives for the City of Palmer*. Accessed November 5, 2020 from: <https://www.palmerak.org/city-palmer-analysis-annexation-alternatives>.

³⁷ City of Palmer, Alaska (March 2002). *A Petition by the City of Palmer for Annexation of approximately 921.34 acres North, South, East & West of the current City Limits*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dkra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.

³⁸ *Ibid.*

³⁹ Agnew::Beck Consulting (2006). *Palmer Comprehensive Plan Update*. Accessed November 5, 2020 from <https://www.palmerak.org/city-palmer-comprehensive-plan>.

Figure 23. 2006 Palmer Annexation Study Area Map



This map, from the 2006 Analysis of Annexation Alternatives for the City of Palmer (Northern Economics, Inc.), then-proposed annexation phasing out to the Palmer Certificated Sewer Utility Service Area boundary. The utility service area boundary was recommended as a conceptual growth boundary for the City in the 1999 Palmer Comprehensive Plan as a way to give landowners, developers, the City and Matanuska-Susitna Borough more opportunity to plan and prepare for future annexations.

As the 2006 Palmer Comprehensive Plan Update was underway, the City retained Northern Economics, Inc. to conduct another annexation study using the same analytical approach as the 2001 study. The 2006 Annexation Alternatives for the City of Palmer also used the previously established phased approach toward a conceptual growth boundary that matched the Palmer certificated sewer utility service

area, shown in **Figure 23** (Northern Economics, Inc. 2006).⁴⁰ The study noted the City's ability to offer a high level of municipal services including City police, fire protection, street maintenance, and planning and land use regulatory powers. However, it noted that the extension of water and sewer services, which had previously been a major driver in annexation requests to the City, was coordinated by a separate certificated city utility through an enterprise fund (Northern Economics, Inc. 2006).⁴¹

The City has not successfully led any large-area annexations since 2002. An annexation petition was prepared in 2007 but failed to pass a vote of the Palmer City Council for submittal to the LBC. Testimony from residents in the area proposed for annexation was overwhelmingly opposed for reasons ranging from expectations that annexation would adversely affect their lives and property to a lack of adequate opportunity to participate in the development of the annexation proposal (Agnew::Beck Consulting, 2010).⁴²

In 2010, the City retained a consultant team (Agnew::Beck Consulting, Northern Economics, Inc., and Kevin Waring Associates) to prepare an Annexation Strategy. The 2010 study identified two commercial corridors, the Palmer Wasilla Highway and Glenn Highway, as areas with the most potential need for growth management, depending on how and when properties along the highways are developed. It also recommended public process improvements and potential changes to City policies to address area resident concerns about annexation (Agnew::Beck Consulting, 2010).⁴³ A property was annexed in 2011 using the local option/local action method by the consent of all property owners and registered voters residing on the property (City of Palmer, 2011).⁴⁴ The owner, a church, already owned adjacent property inside City limits and sought to consolidate and fully develop its property through annexation.

The Case for Annexation

The City of Palmer Annexation Strategy (Agnew::Beck et al, 2010) provided the rationale for annexation that applies equally in 2020 as it did in 2010. That study discussed how State law generally favors city annexations to sustain the fiscal viability of existing cities, to plan for growth and the efficient provision of essential public services to adjacent areas. Palmer's case for annexation would rest on:

- The city's constrained boundaries with ongoing growth in the City's periphery.
- The City's unique ability to plan for and deliver essential public services to adjacent areas as development progresses.
- The City's demonstrated capacity to provide expanded public services without impacting the quality and costs of services to existing residents.
- The City's need to maintain its sales tax revenue base.

The 2020 annexation study looks at these elements of Palmer's annexation rationale in more detail and offers guidance for issues that would have to be addressed as part of a future annexation.

⁴⁰ Northern Economics, Inc. (2006). *Annexation Alternatives for the City of Palmer*. Accessed November 5, 2020 from: <https://www.palmerak.org/city-palmer-analysis-annexation-alternatives>.

⁴¹ *Ibid.*

⁴² Agnew::Beck Consulting, Northern Economics, Inc. and Kevin Waring Associates (2010). *City of Palmer Annexation Strategy*. Accessed November 5, 2020 from <https://www.palmerak.org/city-palmer-analysis-annexation-alternatives>.

⁴³ *Ibid.*

⁴⁴ City of Palmer (2011). *Petition to the Local Boundary Commission For Annexation to the City of Palmer, a Home Rule City within the Matanuska-Susitna Borough, Using the local option method by the consent of all owners of the property proposed for annexation and all registered voters residing on that property*. Accessed November 5, 2020 from the Alaska Local Boundary Commission: <https://www.commerce.alaska.gov/web/dcra/LocalBoundaryCommission/CurrentandPastPetitions.aspx>.

Appendix B: Survey Questions

Interview Questions

Residents and the General Public

- 1] What opportunities do you see in expanding Palmer's boundaries?
- 2] What risks do you see in expanding Palmer's boundaries?
- 3] Are there specific policies, city services or other potential impacts (on services, taxes or regulations) that are of interest or concern to you?
- 4] Are there specific actions the City could take to ameliorate any negative impacts if property is annexed?

Developers, Real Estate and Property Owners

- 1] Based on your experience and knowledge about recent and future development trends, where could we expect residential and/or commercial growth, within and around Palmer?
- 2-5] Same questions as Residents and the General Public.

Survey Questions

- 1] Please chose the option that most closely reflects where you live: *(Choose 1.)*

- I live in the City of Palmer.
- I live in Study area A.
- I live in Study area B.
- I live in Study area C.
- I live in Study area D.
- I live in Study area E.
- I live in Study area F.
- I live in Study area G.
- I live outside the City of Palmer and outside the study areas.

- 2] Please chose the options that most closely reflects if and where you own a business. *(Choose all that apply.)*

- I own a business in the City of Palmer.
- I own a business in Study area A.
- I own a business in Study area B.
- I own a business in Study area C.
- I own a business in Study area D.
- I own a business in Study area E.
- I own a business in Study area F.
- I own a business in Study area G.
- I own a business outside the City of Palmer and outside the study areas.
- I do not own a business.

3] Please chose the options that most closely reflects if and where you work. (Choose all that apply.)

- I work in the City of Palmer.
- I work in Study area A.
- I work in Study area B.
- I work in Study area C.
- I work in Study area D.
- I work in Study area E.
- I work in Study area F.
- I work in Study area G.
- I work outside the City of Palmer and outside the study areas.
- I do not work for anyone.

4] Annexation often sparks strong opinions about how it will impact residents and businesses. When thinking about annexing new land into the City of Palmer, which category most closely reflects your opinion of each statement?

Statement	Significant benefit for the area	Slight benefit for the area	Slight detriment to the area	Significant detriment to the area
Newly annexed areas will have to comply with City zoning and other land use regulations, which would provide more local control over land use and development decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New residents would be able to vote in City elections, run for office, and serve on City Council, boards and commissions, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Palmer Police would be extended into newly annexed areas.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
City road maintenance would be extended into newly annexed areas.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Newly annexed areas would be required to have trash collection. The City provides trash collection within a service area. Outside the service area, property owners are required to contract with a private solid waste collection service.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Businesses in annexed areas would collect City sales tax of 3 percent; the Matanuska-Susitna Borough has no sales tax.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Landowners in annexed areas would pay City property taxes and would stop paying Matanuska-Susitna Borough non-areawide property taxes as well as Greater Palmer Fire Service area assessments. Annexation would not affect exemptions for seniors and disabled veterans, nor farmland use tax deferments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Statement	Significant benefit for the area	Slight benefit for the area	Slight detriment to the area	Significant detriment to the area
Building permits would be required and building safety codes would have to be met for new construction in newly annexed areas.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5] What other benefits do you see in expanding Palmer’s boundaries? *(max 1,000 characters)*

6] What other concerns do you have about expanding Palmer’s boundaries? *(max 1,000 characters)*

7] What actions could the City take to reduce negative impacts if property is annexed into the City of Palmer? For example, zoning and/or other City regulations could be changed to allow certain practices in annexed areas. Are there specific practices or issues the City should consider allowing in annexed areas that would not be allowed under existing Palmer Municipal Code? *(max 1,000 characters)*

8] What specific information should the study provide about potential benefits or challenges of annexing new land into the City of Palmer? *(max 1,000 characters)*

9] When thinking about annexing new land into the City of Palmer, which statement most closely reflects your current overall opinion? *(Choose 1.)*

- I support growing Palmer’s boundaries even if costs to the City, my household and/or business increase in the short term because of the benefits annexation will provide to the community.
- I support growing Palmer’s boundaries only if it makes fiscal sense to my household, business and/or the City.
- I have no opinion about annexation.
- I do not currently support annexation but could support it if my concerns were addressed.
- I do not support annexation under any circumstances.
- I need more information about annexation to make an informed choice.
- None of the above.

Finally, it’s important for us to ask a few questions to understand how the demographics of survey respondents compare to the general population of the area.

10] What is your gender? *(Choose 1.)*

- Male
- Female
- Prefer not to answer

11] What is your age? (Choose 1.)

- 19 and Under
- Age 20-44
- Age 45-64
- Age 65 and over
- Prefer not to answer

12] What is your household income? (Choose 1.)

- Under \$25,000
- \$25,000-\$49,999
- \$50,000-\$74,999
- \$75,000-\$99,999
- Over \$100,000
- Prefer not to answer

13] What is your race or ethnicity? (Choose 1.)

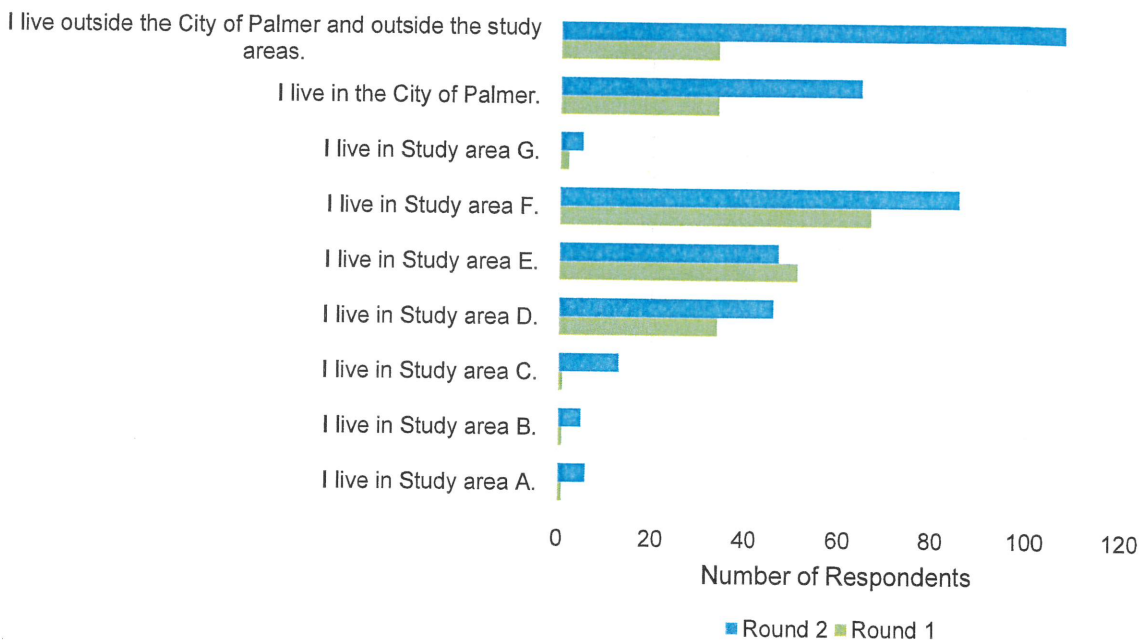
- White/Caucasian
- Black
- American Indian/Alaska Native
- Asian
- Pacific Islander
- Other
- Two or more races
- Prefer not to answer

Appendix C: Survey Findings

Survey results shows that people and businesses inside City are more interested in annexation than those in the study areas. Study areas show the least interest in annexation, though there is some support in certain study areas. If the economics work out and concerns about conflicting lifestyles can be addressed, support for annexation would likely increase in the study areas. Information learned through this survey and other public outreach will guide the City’s process as it looks at possible annexation in future.

The Palmer Annexation Study survey was open November 3 to November 20, 2020 and from January 25 to February 22, 2021. The survey had a grand total of 610 responses.

Figure 24. Survey Respondents Round 1 and 2



Level of Support for Annexation

Findings show that 62 percent of those who live in the city support annexation and 17 percent do not support, whereas 15 percent of those who live in the study areas support annexation and 67 percent do not support it. This trend is similar for business owners in City versus the study areas. Business owners within the City are more evenly split (43 percent indicated possible support, whereas 39 percent indicated a lack of support). Business owners in the study areas indicated a stronger lack of support (74 percent). These results indicate that Palmer residents want more people to join the City and possibly understand some of the benefits of annexation.

Figure 25. General Level of Support for Annexation

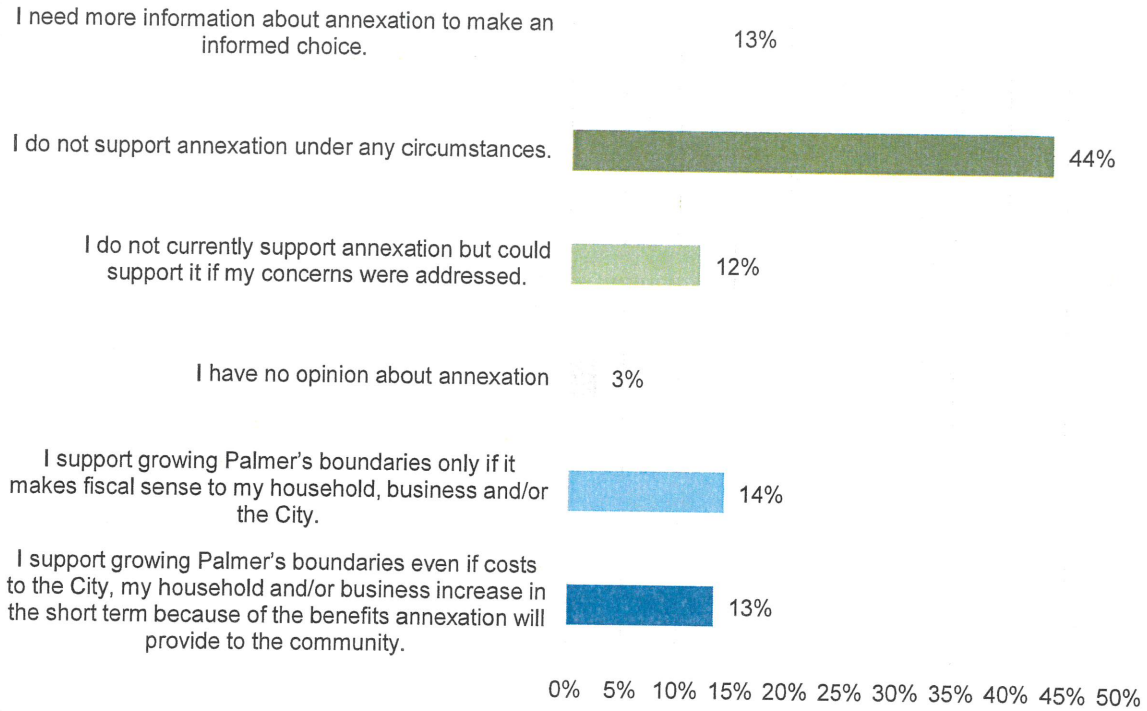


Figure 26. Resident Respondents

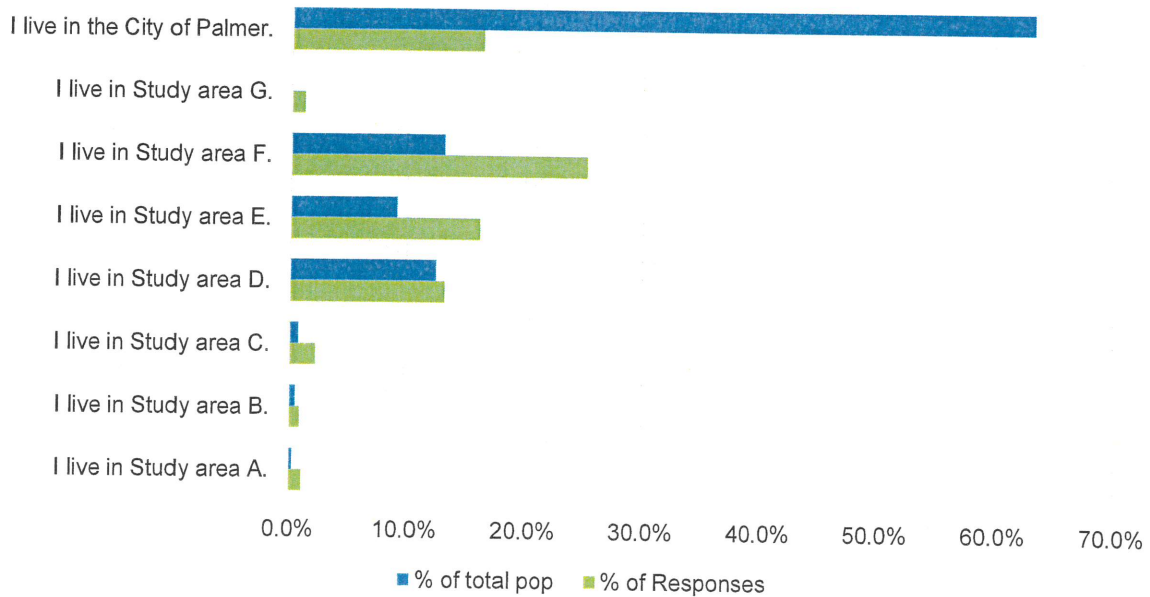


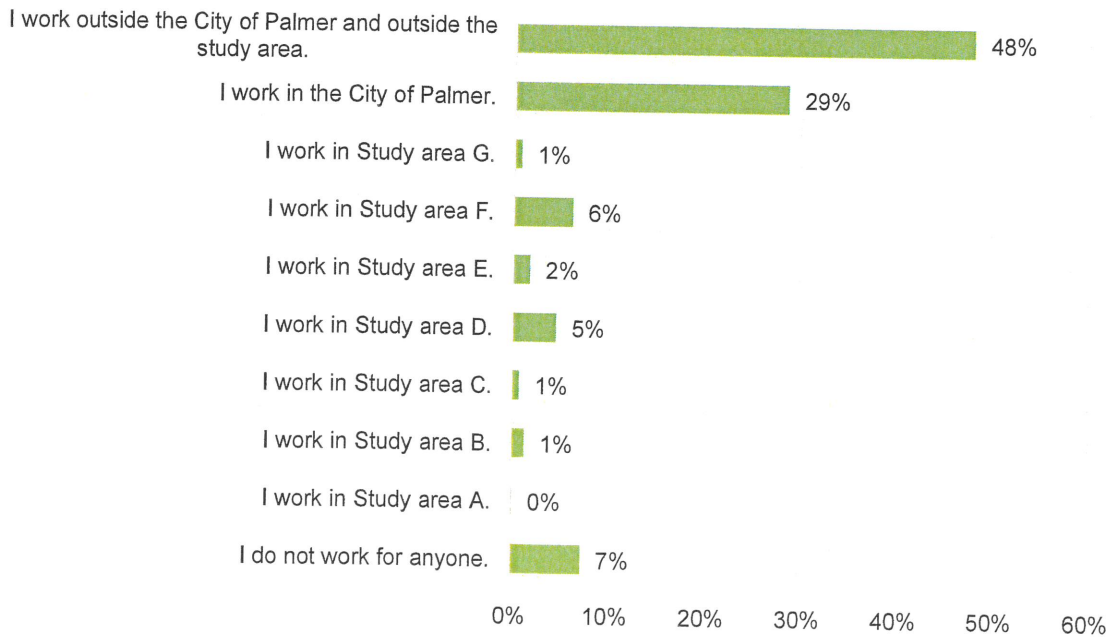
Table 17. Resident Support for Annexation

	Live in City		Live in Study Area		Live Outside SA & City		All Residents	
	Count	%	Count	%	Count	%	Count	%
Response indicated a lack of support	17	17%	244	67%	76	54%	337	56%
No Opinion, Need More Info, or None of the above	21	21%	62	17%	19	14%	102	17%
Response indicated possible support	61	62%	56	15%	45	32%	162	27%
Total	99	100%	362	100%	140	100%	601	100%

Table 18. Resident Support for Annexation by Study Area

Study Area	Total Resident Respondents	# Support Annexation	% Support Annexation
Study Area A	7	3	43%
Study Area B	6	0	0%
Study Area C	14	1	7%
Study Area D	80	15	19%
Study Area E	98	15	15%
Study Area F	153	19	12%
Study Area G	7	3	43%

Figure 27. Where Survey Respondents Work



In the figure below, the Percent of Businesses (dark blue bars in the graph) are calculated as the number of survey responses for which the respondent owns a business in the geographic area indicated, divided by the total number of businesses in the geographic area (Source: Data Axle USA, 2019 data). The survey was administered in 2020 and 2021; the Data Axle business data is from 2019. This difference in time explains why some geographic areas have greater than 100 percent response from businesses in that area. The 2019 data does not capture new businesses since it was collected. The number of businesses is not strictly comparable, but it does give us a rough sense of the proportion of business owners in each area who filled out the survey.

Figure 28. Business Owner Respondents

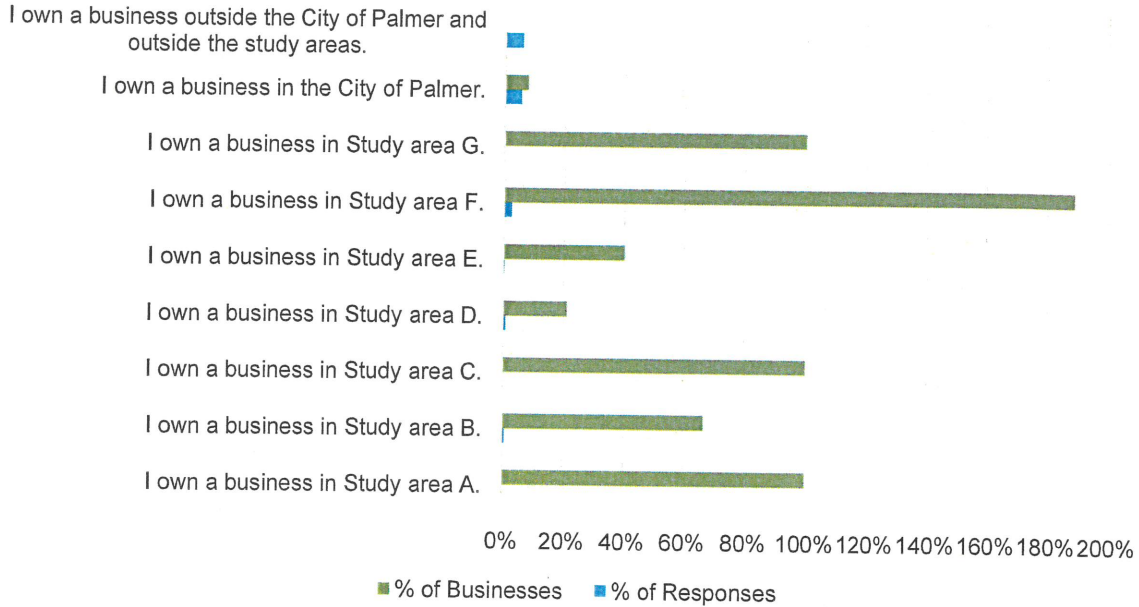
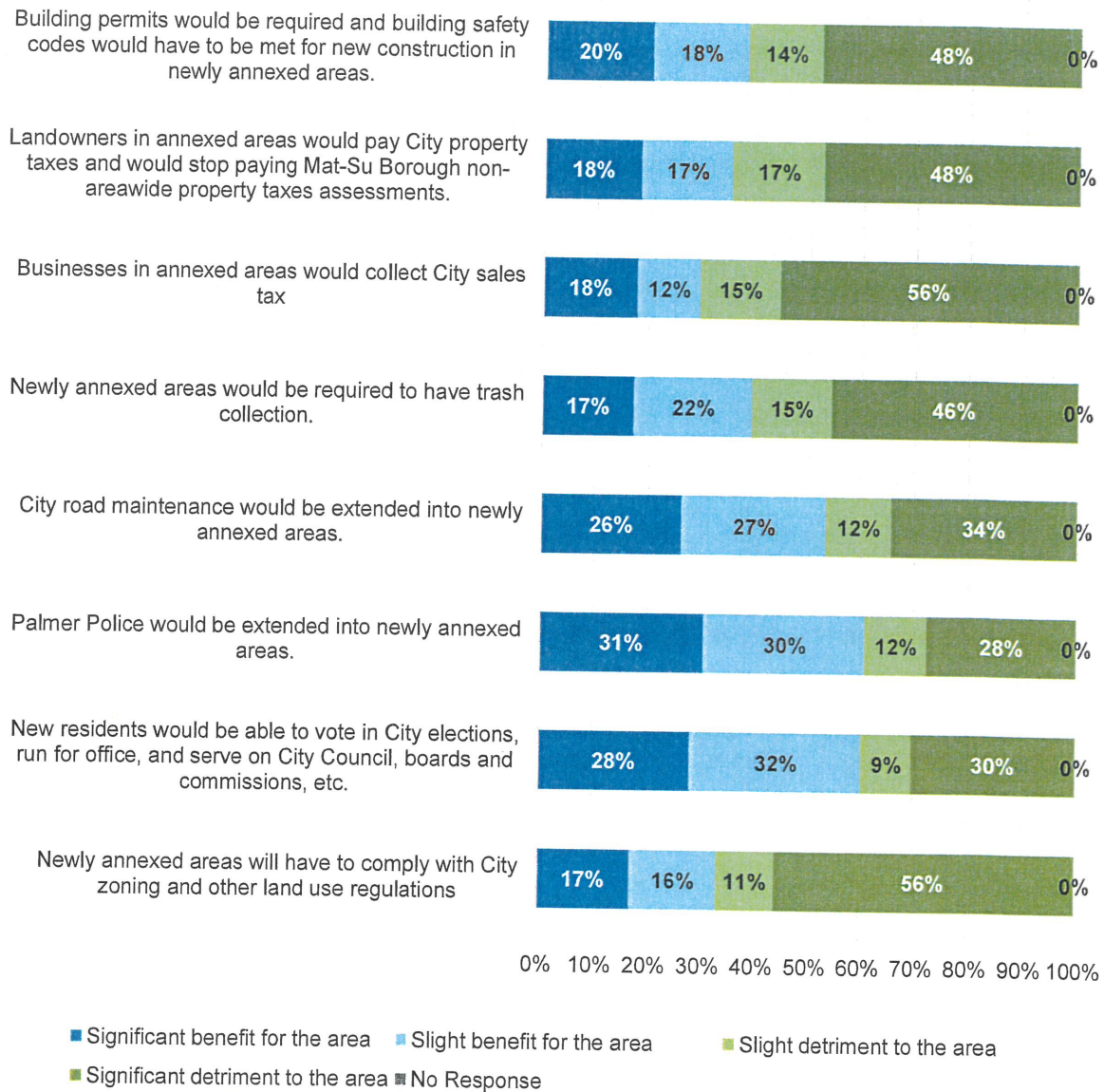


Table 19. Business Owner Support for Annexation

	Own Business in City		Own Business in Study Area		Own Business Outside Study Area and City		All Business	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Response indicated a lack of support	20	39%	53	74%	31	62%	104	60%
No Opinion, Need More Info, or None of the above	9	18%	11	15%	3	6%	23	13%
Response indicated possible support	22	43%	8	11%	16	32%	46	27%
Total	51	100%	72	100%	50	100%	173	100%

Annexation Benefits and Challenges

Figure 29. Level of Perceived Benefit/Challenge for Specific Topics, All Respondents



Annexation Benefits

When asked an open-ended question about the perceived benefits of annexation, 51 percent of respondents indicated they saw no benefits to annexation. Positive responses (18 percent of total responses) reflected the themes below:

- Access to or improved City services, generally
- Access to specific services: police, water and sewer, road maintenance and streetlights, staffed fire station, bike paths
- Attracting businesses and families
- Everyone in the area living by the same rules
- Less confusion about city boundaries
- Lifestyle preferences
- More opportunities for input on future planning and growth
- Possibility of increased City revenue and/or broader tax base
- Possibility of new jobs at City and area businesses
- Representation in City government
- Zoning and land use regulations, with more controls than under current Borough codes

Neutral responses addressed themes like the need for more information or mixed views about benefits when weighed against challenges or applied to the area the respondent was most familiar with.

Annexation Challenges

When asked an open-ended question about the perceived challenges associated with annexation, responses fell into the categorized areas of concern in **Figure 30**. The most repeated concerns included not wanting more regulation, not wanting (or feeling unable to afford) an increase in taxes, and concerns about the City's ability to provide services to annexed areas at a comparable quality and cost-effectiveness to the Borough. Respondents also noted concerns about the City's readiness to extend services and enforcement of City regulations in annexed areas without first demonstrating some improvements within existing boundaries.

Specific concerns raised by business owners included concerns about farms, businesses operated on the same property as the home, and ongoing administrative impacts of adapting to the City's tax structure and regulatory framework that would be a burden to businesses. In many cases, resident and business concerns were identical: 17 percent of business owners live and own a business in the same area.

Respondents were also asked open-ended questions about actions the City could take to address their concerns and about information the study should include. Key themes from the responses of all open-ended questions are summarized by topic area on the following pages.

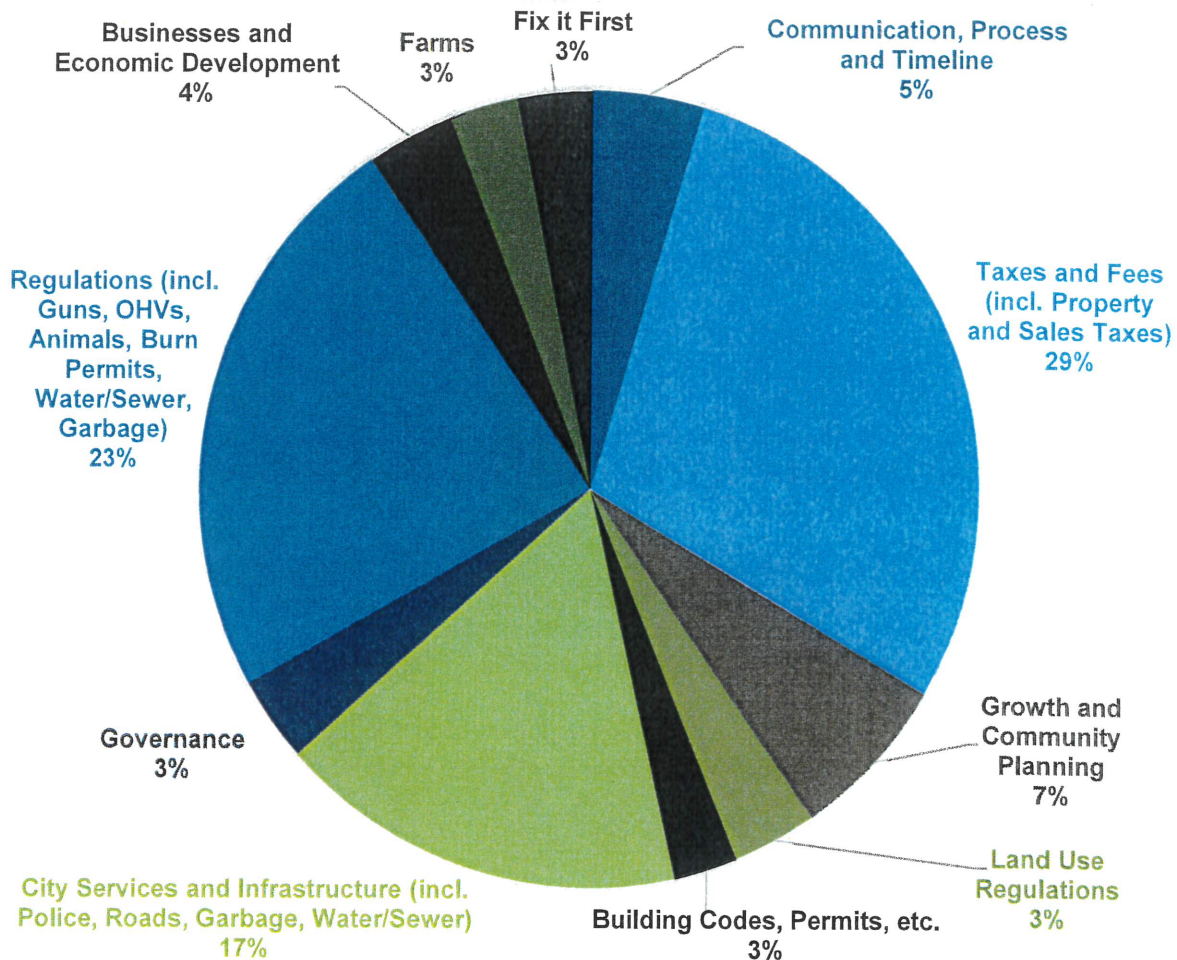
City Revenues/Tax Base

In an open-ended question about the benefits of annexation, five percent of all survey respondents mentioned City's revenues and/or tax base. These respondents suggested that the City would benefit from a larger or broader tax base through increased population, bringing more businesses into the City, and/or taxing the quarry/gravel pits. Respondents also suggested the City might see increases in revenue through taxes and/or through increased allocations for State/Federal funding sources. One respondent asked if annexation would increase or decrease Palmer's chances as a small community to be awarded grants?

Nearly 30 percent of all survey respondents indicated that city taxes and fees would be a concern. One respondent suggested that in the event of a significant annexation, the City institute temporary tax

abatements or a ramp in the property and sales taxes for annexed areas so any tax increases are not a shock to annexed residents and businesses.

Figure 30. Areas of Concern, All Respondents



Sales Tax

Responses that specifically mentioned sales tax indicated that some homeowners limit their spending overall and particularly do not want to pay sales tax on locally grown food. Some businesses are concerned that having to collect city sales tax and the online sales tax would hurt their business because their competition does not have to charge sales taxes. One response included the suggestion to eliminate the City's monthly reporting requirement for sales taxes.

Property Tax

Responses that specifically mentioned property tax indicated some concern about increasing property taxes especially if it pays for services that are neither wanted nor used. One response included the suggestion to create a city property tax cap.

Other Specific Taxes/Fees

Responses that specifically mentioned other types of city taxes and fees indicated support for a severance tax on local quarries and/or gravel pits as well as a road tax against quarry trucks. One

response included a question about whether the city would collect a bed tax. Other responses mentioned local improvement district assessments, building permits and/or building inspection fees, as well as fees for specific city services, such as garbage collection. Responses included suggestions for the city to not require fee services such as garbage collection or building permits, especially for small structures like sheds, decks and fences. Several responses voiced concerns and questions about the fees they would or could have to pay to connect to City water/sewer. One response included a question about whether annexation would increase or decrease eligibility for grants.

Growth/Community Planning

Responses indicated support for protecting Palmer's small-town character, including support for farmland preservation. Responses revealed a difference of opinion about annexation as either opportunity to extend City land use regulations to manage growth or the belief that annexation would drive population growth and thereby irreversibly destroy Palmer's small-town lifestyle. Comments included a request for the study to describe the long-term goals of the City in pursuing annexation as well as to provide growth, traffic and land value projections. These respondents want to know if annexation would affect the value of annexed land, as well as the costs and ripple effects of increased development and the population growth that would follow, such as impacts to traffic volume and patterns.

Land Use Regulations

Responses revealed mixed attitudes toward land use regulations. Some responses support zoning or other land use regulations for a variety of reasons including:

- protect Palmer's small-town character;
- prevent sprawl;
- protect the quality of Palmer's downtown and commercial district(s);
- protect farmland and hobby farm activities on primarily residential;
- protect public health and sanitation (i.e., disallow septic systems where they would endanger public health);
- limit high-density housing.

One respondent suggested a green buffer next to the Mountain Ranch subdivision. Another respondent suggested allowing buildings over three stories. Other responses oppose zoning or other land use regulations for fear that it would decrease land value or disallow the existing mix of uses on individual properties.

Building Codes, Permits, etc.

Responses that mentioned building codes, permits and inspections reflected a desire for the City to be more flexible or not require these for structures like sheds, decks, storage buildings, fences, etc.

City Services and Infrastructure

Responses that mentioned city services and infrastructure were mixed. Some respondents view access to city services as a benefit of annexation, while others expressed concerns about the provision of services and infrastructure. Some responses reflected a preference for other service providers rather than the City of Palmer. Some concerns were about the City's readiness or ability to extend services to annexed areas. Others voiced concern that an annexation could mean that services like sewer, water and garbage collection would all be provided to the original city residents but not extended to the newly annexed area, so that annexed people would be paying taxes for services they don't receive.

Parks, Trails and Recreation

Responses that mentioned parks and recreational infrastructure expressed support for more parks, trails, public access points, and recreation infrastructure as a potential benefit of annexation. One respondent

specifically mentioned the desire for improvements in pedestrian access from annexed areas to the City of Palmer. One respondent voiced concern for the City to improve existing recreational infrastructure (specifically the Palmer Senior League Field) before annexing anything.

Police

Responses that mentioned Palmer's Police services were mixed. A few responses reflected concern that annexation would increase population and therefore crime. Some respondents voiced support for Police expansion as a potential benefit of annexation, anticipating that it would result in faster response times within existing City boundaries as well as in annexed areas. Some responses reflected a preference for the Alaska State Troopers. Other responses expressed concern that the Palmer Police Department would be overwhelmed by a significant annexation because staff are already overworked, understaffed, underpaid, and do not feel supported by the City. A few respondents also voiced concerns about the expense of expanding the City's police force and about the City's ability to find qualified people to hire for the new positions as well as its ability to pay its officers a competitive salary. A few responses reflected a desire for more information about the specifics of how exactly the Palmer Police Department would be expanded or changed with an annexation.

Fire

Relatively few responses mentioned Palmer Fire and Rescue. Some respondents saw improvements to Palmer's fire and emergency response services as a benefit of annexation, specifically faster fire and emergency response times. These responses also indicated support for the department to access more resources to build, staff and equip new fire station(s) in areas that do not have them. Other responses reflected concerns about the cost of those improvements. A few responses reflected a desire for more information about the specifics of how exactly Palmer Fire and Rescue would be expanded or changed with an annexation.

Roads

Responses that mentioned road maintenance and related infrastructure were mixed. Some responses indicated support for the expansion of City road maintenance and installation of streetlights in their neighborhoods. One response voiced frustration that the City does not pay for the maintenance and electricity for street lighting in their neighborhood. Other respondents do not want City road maintenance, nor do they want to pay for it. Some of these responses specifically mentioned concerns that the City cannot provide snow removal as fast as what they are used to now. A few respondents specifically shared concerns about the City's ability to provide snow removal on Scott Road because it requires specialized equipment. (Note that as a state-owned Road, Scott Road would continue to be maintained by the Alaska State Department of Transportation and Public Facilities if the area were to be annexed into the City. It is also common practice for public road maintenance departments to trade snow removal responsibilities for specific roads if it makes the overall service provision more efficient and cost effective. For example, in Anchorage, the State provides snow removal for some larger Municipal roads and in exchange, the Municipality clears snow for some smaller State-owned roads.) A few responses also voiced concerns about the City's ability to find people willing to accept any new maintenance positions unless it raises its salaries and wages for the positions.

Garbage

Responses that mentioned City garbage collection were also mixed. Some respondents want City garbage collection, including existing City residents who live outside the City's current garbage collection service area. One respondent voiced concern that expanding the current trash collection service area would trigger state regulation of City utilities by forcing the City to enter a competitive service area.

Other respondents within the City and outside the City prefer to either contract with another provider or haul their own trash. In the study areas, respondents generally want to be able to choose who and how garbage is dealt with. Some responses voiced concern that trash collection would become more expensive if land is annexed.

Water and Sewer

Responses that mentioned water and sewer services were likewise mixed. Respondents who saw potential annexation benefits expressed support for City planning to prevent ground water problems, as well as support for limiting septic systems in future for public health reasons. Some respondents voiced a desire to have water and sewer extended to their property; others expressed preferences for their existing onsite or community well and septic systems. Some respondents brought up concerns about the cost of extending and hooking up to piped water and/or sewer.

"I've heard it could cost each home up to \$20,000 for city sewer and water if we are annexed."

"I just paid for a new septic install. I would be unhappy about having to pay to hook up to sewer now."

A few respondents questioned whether the City would take over servicing their subdivision's community well and septic if annexed. Responses reflected both frustration about the City refusing to take over a community well, while another HOA wants to maintain ownership and control of the community well.

Farmers voiced special concerns about whether they would have to pay for City water or be able to maintain their private wells (discussed under Farms). One respondent voiced concern that an annexation would require the City's water and wastewater plants to be expanded, with limited capacity to do so at the current wastewater plant."

Other Services and Infrastructure

Responses also included questions and concerns regarding a number of other City services and infrastructure. A few specifically mentioned the desire for improvements (or repair and replacement) to aging stormwater collection infrastructure and existing City facilities (generally). Some responses voiced concerns that the city does not have the infrastructure to support the larger size of a major annexation. A few responses included support for fire hydrants to be extended into annexed areas, or at least want a better understanding of whether the City would extend fire hydrants to annexed area(s).

One or two respondents voiced strong dissatisfaction with mail service in the Palmer area (specifically the Post Office and cost of a PO box). It should be noted that because mail service is a Federal service, annexation would not necessarily affect postal services.

A few responses included questions about how annexation would affect schools in terms of population and funding.

"How does all of this affect the zoning of our current school system? Has there been an impact study done by a neutral source determining projected student increases by age groups? Will new schools need to be built to handle the projected increases?"

Governance

Governance was not often mentioned among the open-ended responses: six percent of all respondents mentioned governance as benefits and three percent of all responses mentioned it as a concern. These responses included support for being able to vote in City elections and having more of a voice in City government for both residents and businesses. They also included as benefits a wider pool of eligible candidates to run for public office and hopes for a more involved voter base and greater sense of community. Some respondents had a preference for the City of Palmer over the Matanuska-Susitna Borough; others preferred the Borough over the City. A few comments observed that an annexation could make boundaries between the City and Borough easier to understand. Respondents who mentioned

concerns with governance want as little government oversight as possible and view an annexation not by their choice (against their will) as an overreach of government and an infringement on their personal freedoms.

Regulations

In open-ended questions about benefits and concerns regarding annexation, only two percent of all survey responses mentioned regulations as benefits, whereas 29 percent of all responses mentioned regulations as concerns. As benefits, responses mentioned land use and/or building regulations as a way to manage growth and protect Palmer's small-town character. A few responses mentioned a sense of everyone following the same rules as a benefit, especially for code compliance or law enforcement.

The main concerns about city regulations stated a general desire to minimize any governmental rules, the desire to be able to use firearms and off-road vehicles; burn trash, have fire pits and set off fireworks on their property, and keep a variety of animals on their land. Responses about actions the City could take overwhelmingly reflected the desire to grandfather or make regulatory allowances to retain existing lifestyles and businesses.

Use of Firearms

Responses included suggestions to allow hunting (generally and small-game hunting), target practice on property, and access to hunting grounds. Respondents also expressed the desire to be able to continue using private rifle/shooting range(s), including the existing gun range that operates in Study Area G.

Use of Off-Road Vehicles

Responses included suggestions to allow off-road vehicles (e.g., ATVs, snow machines) to be licensed for road use. One respondent specifically mentioned wanting to drive off-road vehicles on Bogard Road.

Burn Trash, Firepits and Fireworks

Responses included suggestions to allow burning waste, having backyard firepits and setting off fireworks on private property. A few comments specifically mentioned wanting burn permits with the same allowances as they are currently granted by the Matanuska-Susitna Borough.

Animals

Responses indicated the desire to have a variety of type and number of animals on their property. Respondents specifically mentioned livestock on farms or hobby farms, e.g., goats, chickens (including roosters), cows, horses, bees.

"Many of these areas have people with more than a few chickens. And they depend on them for food or money from egg sales. Same with other livestock. Making it a city would really harm these practices and people will move farther."

Responses also included suggestions for different rules for dogs, including:

"Maintain the four-dog limit; four dogs is okay if there are no other animals."

"Allow permits and inspection for more than two dogs for small dog kennels. No more than 10 dogs."

"Allow dogs to run free."

Other Regulations

Responses indicated a strong lack of support for building codes and permits for sheds, decks, storage buildings; the City's garbage collection requirement; and any requirement to connect to the City's piped water-sewer utility if a property is served by functioning well and septic. One response mentioned a lack of support for a mask ordinance. Responses did indicate support for regulations to address homelessness and to allow private wells, especially on farms. Responses reflected a mix of support and

objection to allowing businesses such as marijuana dispensary (and cannabis tourism), a strip club and pawn shop. Suggestions to improve regulations included:

- Enforce quiet hours from the quarry
- Revisit requirements concerning agricultural practices (e.g., noise, smells, land use, number and size of animals allowed on the property)
- Allow well and septic
- Allow self-haul and privately contracted trash collection
- Flexibility and/or exemptions to building code and permit requirements for small structures (decks, sheds, fences, outbuildings)
- Allow neighborhood roads to not have sidewalks.

Businesses and Economic Development

Responses that mentioned businesses and economic development included a range of support for potential benefits of annexation and concerns about how an annexation would affect business operations in annexed areas and inside the City. Some respondents view annexation as a way to support private business development. Others concerned that people who own business but don't live in Palmer don't have a voice. Responses also included concerns that City officials would not be willing to allow big businesses to be established in annexed areas.

Business responses included concerns about the impact of taxation (present and future) and City regulations on the ability to do business. Some businesses expressed concerns about having to have more license(s), more fee(s), and another set of quarterly paperwork to complete and submit. Some businesses voiced concerns that because they compete against businesses located in areas that do not have a sales tax, collecting the Palmer sales tax would make them less competitive, and they could lose a large amount of business. Business responses also included concerns that owners of annexed property would pass cost increases to the lease holder operating a business on the property, and that annexation could cause job losses and/or drive businesses away. Business owners seek protection under current economic hardships (i.e., due to COVID-19 restrictions) and to be allowed to continue operation.

Responses included a request for information about the long-term effects of annexation on businesses in the annexed areas, about the financial impact to businesses and how that might affect current and potential future business in the city. One respondent voiced concern about whether growth associated with annexation would create high wage jobs (e.g., medical support) or low wage jobs (e.g., big box retail).

Survey responses reflected a mix of interest in and concern about annexation causing an increase in the number of City jobs. Some respondents voiced support for more City jobs, though others expressed concerns that City of Palmer employees are not paid competitive salaries/wages and question whether the City could attract qualified people to fill new positions at current pay levels.

Farms

Responses that mentioned farms universally sought to protect agricultural businesses and activities in the greater Palmer area. Some voiced concerns that City regulations would make it difficult for hobby farms and business-scale farms, alike. Specifically, respondents mentioned concerns about the number and size of animals allowed, building codes/permits for outbuildings, road accesses, and the ability to maintain private well and waste management on the property. One respondent estimated the amount of water used for farm operations (up to 5,000 gallons per day) to estimate the cost impact to the farm if it had to purchase City water.

Responses included suggestions for the City to adopt Right-to-Farm laws and/or publish regulations, protections and changes to city policy involving farmland to ensure the preservation of farmland and agricultural practices, including encouraging the creation of more agricultural businesses. Responses also included suggestions to exempt agricultural land from mandatory trash collection, building permits for storage buildings, and eliminate monthly reporting requirement for sales taxes. One respondent suggested that the City "keep the R7 rating so agriculture can continue without being impacted by placing farmland in competition with new subdivisions." Another respondent commented that the size and/or type of lots should be treated differently regarding allowances for animals.

Other Businesses

Specific businesses mentioned include farms, the gravel pit, gun range, marijuana cultivation and dispensaries, home-based businesses. (Note: The few responses that mentioned marijuana-related businesses show mixed attitudes toward them.) One respondent voiced interest in attracting national chains, auto/truck dealerships, a movie theater and shopping mall to Palmer. Responses also included concerns about the impacts of annexation to landlords (e.g., how much sales tax they would have to pay) and that zoning would prohibit certain home businesses.

Responses included support for regulating the gravel pits/quarry to enforce quiet hours and "make the midnight gravel train go away," as well as maintaining private gun range(s). Responses indicated mixed support for allowing marijuana businesses: a few respondents suggested allowing dispensaries within the City and developing cannabis tourism, while one voiced concern that there are too many cannabis businesses in the Valley already and that the regional market cannot support them all. One respondent suggested that Palmer should have a strip club and allow pawn shops within the City.

Fix it First

Concerns about service provision also revealed a desire among current City residents as well as residents outside the City for Palmer to improve the quality of existing services and local regulation/law enforcement before a significant annexation takes place. Some specific concerns could be due to misunderstanding about where City boundaries are, how the City operates and the limits of what it can do. These concerns may also provide useful direction for the City about where to focus information-sharing and departmental improvements. Comments mentioned:

- Improve City road maintenance: pave rutted gravel roads; upgrade aging paved roads; improve snow removal and general maintenance on Colony Way, Arctic Boulevard and other streets that branch off them.
- Improve/repair storm water collection systems, curb and gutter.
- Keep sidewalks clear.
- Increase repair and replacement for aging City facilities, generally.
- Improve the Palmer Sr. League field.
- Clarify if, when and how the water and sewer utility would extend piped service. City "water pressure can be limited at times."
- Clarify City trash collection service areas and policies.
- Improve fire response times (in study areas).
- Expand the police force and improve morale in the Police Department.
- Reduce crime and increase vehicle safety enforcement ("Automobiles and Trucks are permitted to be operated with one headlight, Violations emissions").
- Increase enforcement for junk vehicles, property maintenance, single family residential zoning.
- Pay City employees better, specifically police, emergency/first responders, and public works.
- Address homelessness in the City.

- Improve the City's reputation for fiscal management to address concerns that annexation is intended only to increase revenue for the City.

Suggestions for Communication, Process and Timeline

Responses reflected a desire for more frequent and open communication between the City and area residents, generally and specific to the annexation process. Regarding the annexation process, responses reflected the desire for a clear "why" statement to better understand the City's motivations for annexing more land, and as much information as possible about the process, timelines and what to expect in any annexation process. One respondent specifically asked which services would be extended to annexed areas immediately. The transition plan developed for any future annexation petition will be critical for informing new citizens about the specific changes they can expect upon becoming part of the city, how and when those changes will take place.

"I would want to know the cost of annexation, the projected revenues generated by annexed business, and see a plan for how long it would take to accomplish the annexation from start to finish once passed."

Many responses questioned whether annexation had any benefits and wanted more information about how annexation would benefit them and/or the City, beyond a larger tax base. Responses included a desire for specific analysis of how annexation would affect taxes, cost of living, land use regulations and other impacts to the day-to-day use of their property, compared with Borough taxes and regulations.

"There should be a five year forward looking budget forecast for the city, based on the projected increases in costs and revenues, so that people can be adequately informed."

A few responses questioned why the study areas did not include certain areas, such as the areas south of inner Springer Inn Spring Hill and Outer Springer (Rocky Point, Sky Ranch, River Bend, and Colony Estate subdivisions) and Marsh Road in Study Area B. One respondent suggested the City consider taking an incremental approach, annexing one or two areas first, then adding more at a later date.

Some comments reflected a belief that the City is already planning to move forward with annexation regardless of residents' input and intends to take action soon after the study is completed without further opportunity for discussion. Continuous education about the multi-step annexation process and opportunities for public involvement in the decision may help alleviate some of these concerns. Suggestions included keeping citizens informed and providing opportunities for them to voice concerns as the process moves forward through mailers, door-to-door fliers, more surveys, informational Q&A sessions, and door-to-door discussions or HOA meetings. When it comes time for the City to decide on making an annexation petition, some respondents suggested the City consider basing its decision on a majority vote among residents/property owners in the areas considered for annexation.

"Sometimes it's difficult to make a case for annexation because residents in those areas don't see a direct benefit to them. Sometimes there aren't positive impacts, but larger community issues are often critical for effective and efficient service delivery...a broader issue different from 'what do I get out of it?'"

More communication about the City's planning activities may also be helpful. Some respondents were not aware of the City's long-term plans for expanding services, land use planning or desired areas for future growth. For example, the City may engage in shorter-term planning for general operations and capital projects over the next few years. The City may also look to update Palmer's Comprehensive Plan to revisit longer-term plans. Though not reflected in survey results, the City may decide to be more actively involved in economic development planning and related activities in future, regardless of whether its boundaries expand or remain stable.

Respondent Demographics

The survey had a majority of white respondents and a diversity of income levels. Respondents were fairly well distributed by age with just over one-third in the younger age cohort. In comparing survey responses

to City of Palmer demographics, respondent demographics are fairly but not exactly consistent with trends citywide. It is fair to suggest that the younger demographic is slightly less represented, compared to City demographics. Similarly, people of color are slightly less represented when compared to Palmer demographics. Finally, lower income households are notably less represented compared to household income distribution in Palmer overall.

Table 20. Respondent Demographics

	All Survey Respondents	City of Palmer 2018 ACS (US Census Bureau)	City of Palmer and Study Areas 2020*
Female	273	45%	50%
Male	243	40%	50%
Prefer not to answer	87	14%	
Total	603	100%	100%
Age 20-44	220	36%	49%
Age 45-64	229	38%	34%
Age 65 and over	86	14%	17%
Prefer not to answer	69	11%	
Total Age 20 and over	604	100%	100%
White or Caucasian	377	62%	74%
American Indian or Alaska Native	18	3%	8%
Black or African American	6	1%	2%
Asian or Asian American	2	0%	2%
Two or more races	33	5%	8%
Another race	12	2%	6%
Prefer not to answer	157	26%	
Total	605	100%	100%
Under \$25,000	7	1%	18%
\$25,000-\$49,999	42	7%	18%
\$50,000-\$74,999	73	12%	17%
\$75,000-\$99,999	118	20%	12%
Over \$100,000	205	34%	36%
Prefer not to answer	158	26%	
Total	603	100%	100%

2020 Data from ESRI adjusted by the Alaska Map Co. using Matanuska-Susitna Borough housing assessment counts.